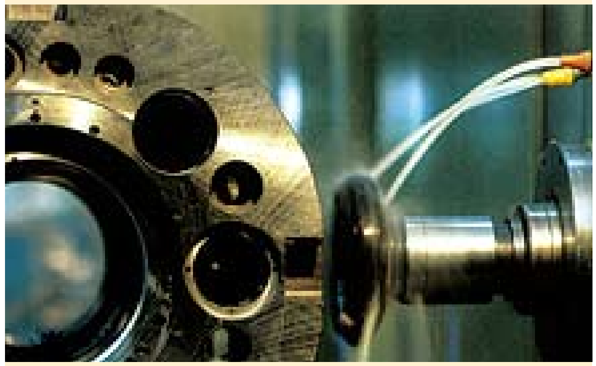
Bank Pembangunan

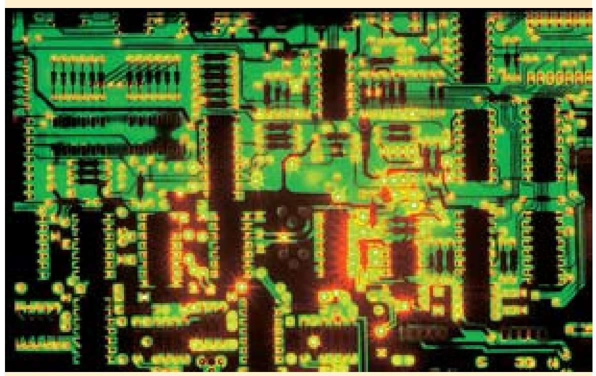
Creating Possibilities

2011 Annual Report

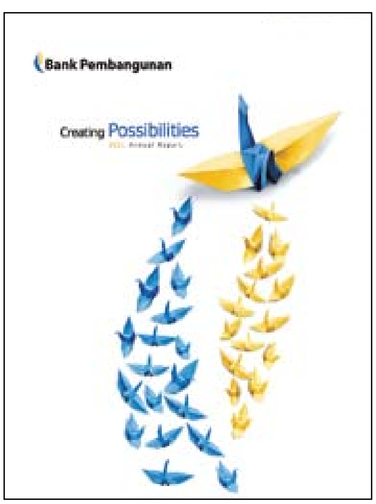
INFRASTRUCTURE

TECHNOLOGY





MARITIME



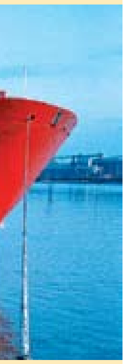
Cover Rationale

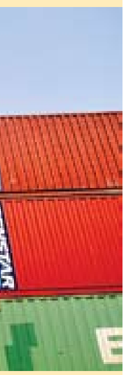
The art of paper folding has a timeless history that required a methodical and creative approach, to craft an infinite number of forms from the imagination, and as the majestic flight of birds that became the basis of inspiration, spurred the experience and need to soar above the skies.

Bank Pembangunan Malaysia Berhad's (BPMB) strategic strength as a development financial institution continues to elevate the nation's sector of infrastructural, maritime, technology and oil and gas industries, creating possibilities that has the potential to become a leading bank, in propelling growth beyond its borders.

Bank Pembangunan

OIL & GAS





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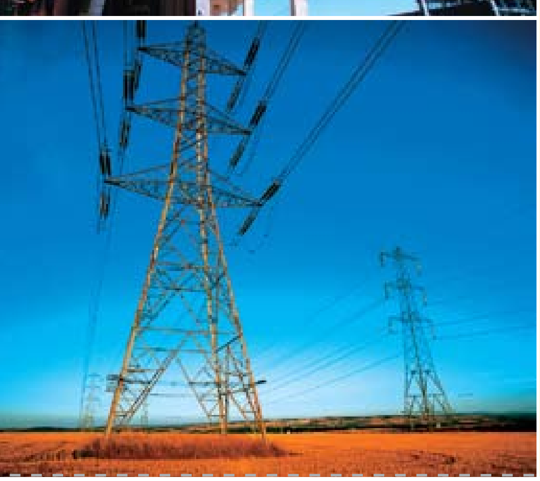


Bank Pembangunan Malaysia Berhad (BPMB) is wholly owned by the Malaysian Government through the Minister of Finance Inc. BPMB is mandated as a development financial institution providing medium to long term financing to the following sectors:

INFRASTRUCTURE

Utilities

- Energy
- Water
- Sewerage

Transportation

- Inland
- Air

Area Development

- Public / Commercial
- Industrial

Tourism

- Theme Tourism
- Convention and Business Centres
- Hotels / Resorts / Serviced Apartments / Villas
- Marine

Port

- Inland
- Port Facilities and Machinery / Equipment
- Warehouse / Logistics Hub

Road /Highway

- Toll Road
- Federal Road
- Trunk Road
- City Road
- Bridges

Community / Social & Public Services

- Education
- Health (excluding Health Tourism)
- Flood Mitigation

MARITIME

Vessels

- Liquid Cargo Vessels
- Dry Cargo Vessels
- Specialised Vessels

Shipyard

- Shipbuilding
- Ship Repair
- Engineering Works

Marine-Related

- Fabrication
- Vessel Services

OIL & GAS

Offshore

- Oil and Gas Field Operators
- Offshore Structure Owners/ Operators (Oil Rig/Tension-Leg Platform – TLP, SPAR platform etc)
- Platform Contractors

Onshore

- Fabricators
- Tank Farm (Storage/Blending/ Owners/Operators)
- Terminal Owners/Operators

Offshore Support Vessels

- Anchor Handling Tug/Anchor Handling Tug Supply
- Crew Boat
- Supply/Utility Vessels
- Pipe Lay Barge/Vessels
- Accommodation Work Barge/ Work Boat
- Heavy Lift Vehicles
- Well Intervention Vessels
- Driving Support Vessels
- Seismic Vessels
- Floating Storage/ Production Vessels
- Other vessels involved in oil and gas activities

TECHNOLOGY

Advanced Manufacturing

- Pharmaceutical
- Electrical & Electronic
- Engineering & Support Service
- Instrumentation & Equipment
- Chemical
- Textiles
- Printing
- Plastic
- Food Processing
- Iron & Steel
- Pulp & Paper
- Aerospace
- Advanced Materials
- Products related to oil and gas activities

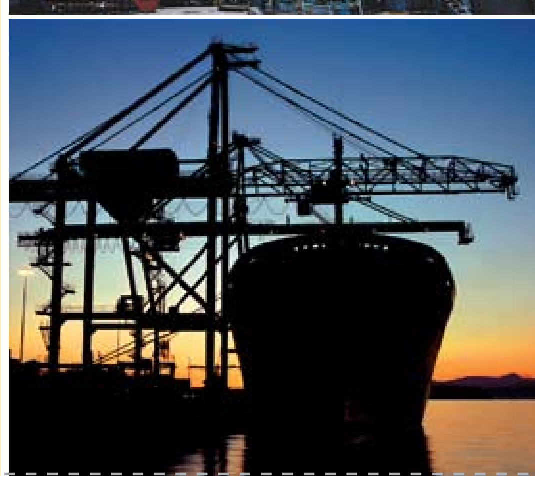
Information & Communication Technology (ICT)

- Telecommunication
- System Integration
- Communication

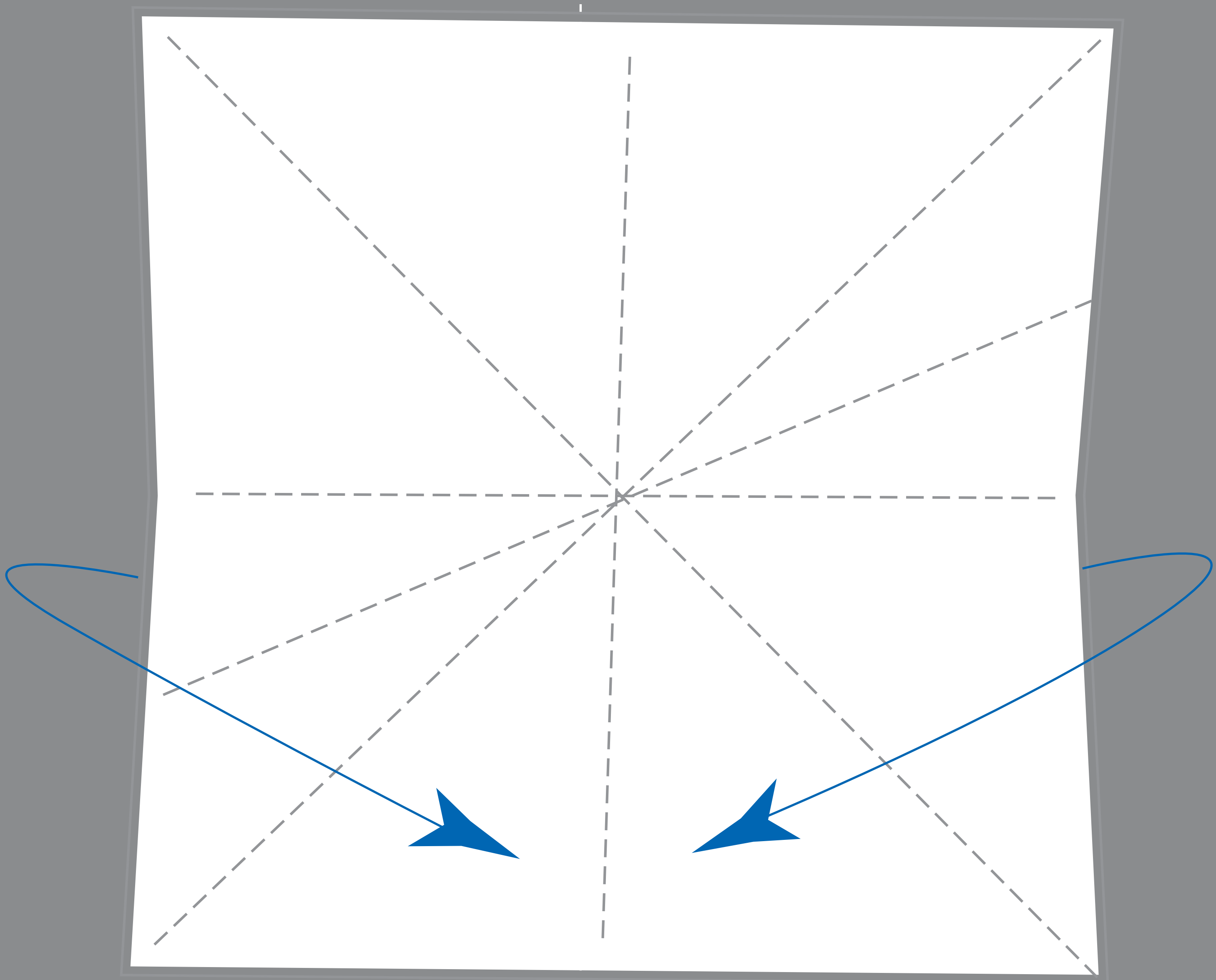
Green Technology

- Energy Efficiency
- Renewable Energy
- Biofuel
- Waste to Wealth
- Clean Development Mechanism (CDM)
- Pollution Control



Chairman	**Dato' Mohammed bin Haji Che Hussein**
Board Members	**Dato' Mohd Zafer bin Mohd Hashim** (President/Group Managing Director)
	Siti Zauyah binti Md Desa
	Haji Zainul Rahim bin Mohd Zain
	Tan Sri Faizah binti Mohd Tahir
	Dato' Dr. Syed Jaafar bin Syed Aznan
	Datuk Idris bin Abdullah
	Haji Rosli bin Abdullah
	Haji Abdul Aziz bin Ishak
Company Secretary	**Syed Iskandar Shah bin Syed Abu Bakar** (LS 0009541)
Joint Company Secretary	**Hazlinda binti Ahmad Rosdi** (MAICSA 7053034)
Shariah Committee	**Tan Sri Dato' Seri (Dr) Haji Harussani bin Haji Zakaria** **Prof. Dr. Abdul bin Jalil Borham** **Dr. Ridzwan bin Ahmad** **Ass. Prof. Dr. Miszairi bin Sitiris**
Auditors	**Ernst & Young (AF:0039)**
Registered Office	**Aras 16, Menara Bank Pembangunan** **Bandar Wawasan** **No. 1016, Jalan Sultan Ismail** **50250 Kuala Lumpur**
Website	**www.bankpembangunan.com**



PLANNING

The beginning of origami requires thoughtfulness in its preparation, having the right materials in executing the design, and understanding its strength, properties and limitations for BPMB to gain successful results.

Bank Pembangunan

SUBSIDIARIES

Global Maritime Ventures Berhad (90%)

- Mutiara Navigation Sdn Bhd (70%)
- Intan Navigation Sdn Bhd (70%)
- Kasa Navigation Sdn Bhd (70%)
- Mayang Navigation Sdn Bhd (70%)
- Sari Navigation Sdn Bhd (70%)
- Nilam Navigation Sdn Bhd (70%)
- Tiara Navigation Sdn Bhd (70%)
- GMV-Bahtera Sdn Bhd (100%)
- GMV-Regional Sdn Bhd (100%)
- GMV-Omni Sdn Bhd (100%)
- Wawasan Bulk Services Sdn Bhd (30%)
- GMV-Offshore Sdn Bhd (100%)
  - Rimbun Astana Sdn Bhd (40%)
- Glory Incentive Sdn Bhd (100%)
  - Permata Navigation Sdn Bhd (70%)
  - Gemala Navigation Sdn Bhd (70%)
  - Ratna Navigation Sdn Bhd (70%)
  - Kencana Navigation Sdn Bhd (70%)
- GMV-Gagasan Sdn Bhd (100%)
  - Farmasi Cekal Sdn Bhd (40%)
  - Baycorp Ship Mgmt Sdn Bhd (40%)
  - Gagasan Ked Sdn Bhd (60%)
  - Gagasan Paha Sdn Bhd (60%)

SME Growth Acceleration Fund Sdn. Bhd. (100%)

BPMB Urus Harta Sdn Bhd (100%)

Pembangunan Ekuiti Sdn Bhd (54.8%)

Emerald Upline Sdn Bhd (100%)

Maju Nominees (Tempatan) Sdn. Bhd. (100%)

Pembangunan Leasing Corporation Sdn Bhd (100%)

- PLC Credit & Factoring Sdn Bhd (100%)
- BI Credit & Leasing Bhd (100%)
  - KIB Nominee (Tempatan) Sdn Bhd (100%)

ASSOCIATES

Ekuiti Teroka (M) Sdn Bhd (28.59%)

OTHERS

Quoted

Global Carriers Berhad (12.62%)

Malaysian Bulk Carriers Berhad (18.39%)

GMV-Orkim Sdn Bhd
(100%)

- Orkim Leader Sdn Bhd **(40%)**
- Orkim Power Sdn Bhd **(40%)**
- Orkim Merit Sdn Bhd **(40%)**
- Orkim Express Sdn Bhd **(40%)**
- Orkim Challenger Sdn Bhd **(60%)**
- Orkim Discovery Sdn Bhd **(60%)**
- Orkim Reliance Sdn Bhd **(60%)**

GMV-Alam Sdn Bhd
(100%)

- Alam Explorasi (M) Sdn Bhd **(40%)**
- Alam Synergy I (L) Inc. **(40%)**
- Alam Synergy II (L) Inc. **(40%)**
- Alam Synergy III (L) Inc. **(40%)**

GMV-Global Sdn Bhd
(100%)

- Global BMesra Sdn Bhd **(49%)**
- Global BMesra Dua Sdn Bhd **(49%)**
- Global BIkhlas Sdn Bhd **(49%)**

GMV-Borcos Sdn Bhd
(100%)

- Syarikat Borcos Shipping Sdn Bhd **(35%)**

GMV-Jasa Sdn Bhd
(100%)

- JM Global 1 (Labuan) Plc **(49%)**
- JM Global 2 (Labuan) Plc **(49%)**
- JM Global 3 (Labuan) Plc **(49%)**
- JM Global 4 (Labuan) Plc **(49%)**

GMV-Efogen Sdn Bhd
(100%)

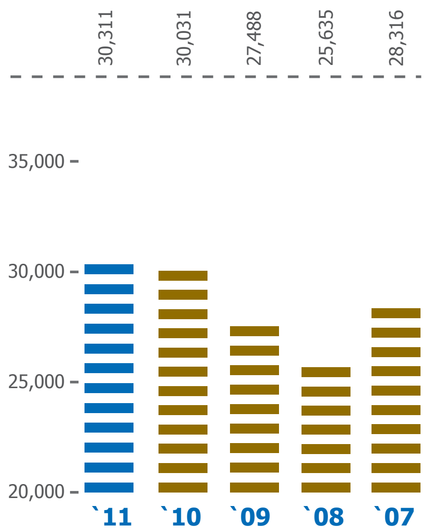
- Sea Weasel Limited **(49%)**

	GROUP		BANK	
	2011	2010	2011	2010
PROFITABILITY (RM MILLION)				
Interest Income	1,448	1,366	1,395	1,318
Net Income	1,153	1,244	1,028	1,076
Operating profit	586	539	618	503
Profit before taxation	619	549	618	503
Profit for the year	456	424	462	385
KEY BALANCE SHEET DATA (RM MILLION)				
Total assets	30,311	30,031	29,628	29,252
Total deposits and placements	3,961	4,074	3,356	3,326
Financial Investment - Available for sale (AFS)	1,049	1,868	1,017	1,861
Financial Investment -Held to maturity (HTM)	149	268	149	268
Loans, advances and financing	22,845	21,435	22,680	21,322
Total liabilities	22,879	22,784	22,576	22,384
Deposits from customers	6,960	7,486	6,960	7,486
Redeemable Notes	4,234	4,536	4,234	4,536
Term Loans	10,810	9,902	10,604	9,615
Paid-up capital	3,079	3,079	3,079	3,079
Total Equity	7,432	7,246	7,051	6,869
Infrastructure support fund	413	380	413	380
Deferred income	233	292	233	292
Commitments and contingencies	3,922	5,542	3,025	5,195
SHARE INFORMATION (Per share (sen))				
Earnings per share	15.63	13.67	15.01	12.52
Gross dividend	3.25	3.25	3.25	3.25
FINANCIAL RATIOS (%)				
ProfItability Ratios (%)				
Return on Equity	8.43	7.41	8.88	7.19
Return on Assets	2.05	1.91	2.10	1.80
Cost to Income Ratio	17.94	19.11	6.84	7.70
Capital Adequacy (%)				
Risk Weighted Capital Ratio (CAR)			34.75	32.65
Core Capital Ratio			33.04	30.85
Asset Quality Ratio (0%)				
Gross Impaired Loan	12.18	11.97	11.38	11.06
Net Impaired Loan	5.78	4.74	5.47	4.43

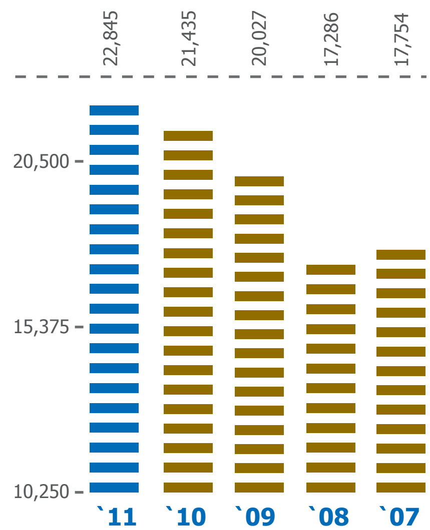
5-YEAR GROUP FINANCIAL SUMMARY

	2011	2010	2009	2008	2007
PROFITABILITY (RM MILLION)					
Interest Income	1,448	1,366	1,474	1,444	1,262
Net Income	1,153	1,244	1,094	1,234	1,017
Operating profit	586	539	326	986	739
Profit before taxation	619	549	339	949	766
Profit for the year	456	424	320	937	858
KEY BALANCE SHEET DATA (RM MILLION)					
Total assets	**30,311**	**30,031**	**27,488**	**25,635**	**28,316**
Total deposits and placements	3,961	4,074	2,018	2,947	1,869
Financial Investment-Available for sale (AFS)	1,049	1,868	2,184	2,085	1,671
Financial Investment-Held to maturity (HTM)	149	268	423	469	623
Loans, advances and financing	22,845	21,435	20,027	17,286	17,754
Total liabilities	**22,879**	**22,784**	**19,913**	**18,368**	**21,916**
Deposits from customers	6,960	7,486	8,233	5,178	5,170
Redeemable Notes	4,234	4,536	1,990	1,989	2,019
Term Loans	10,810	9,902	8,613	9,901	10,165
Infrastructure support fund	413	380	716	662	606
Deferred income	233	292	152	448	396
Paid-up capital	3,079	3,079	3,079	3,079	3,079
Total equity	7,432	7,246	7,575	7,267	6,400
Commitments and contingencies	3,922	5,542	9,307	11,890	8,385
SHARE INFORMATION (Per share (sen))					
Earnings per share	15.63	13.67	9.99	28.72	23.90
Gross dividend	3.25	3.25	2.60	2.60	2.60
FINANCIAL RATIOS(%)					
Profitability Ratios (%)					
Return on Equity	8.43	7.41	4.57	13.89	12.60
Return on Assets	2.05	1.91	1.28	3.52	2.78
Cost to Income Ratio	17.94	19.11	23.45	20.13	27.39
Asset Quality Ratio (%)					
Gross Impaired Loan	12.18	11.97	4.97	4.86	5.97
Net Impaired Loan	5.78	4.74	1.63	1.70	2.54

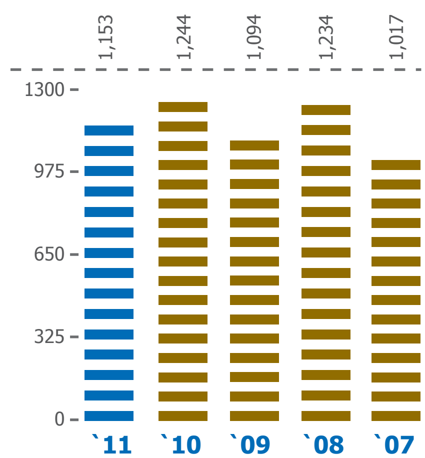
TOTAL ASSETS EMPLOYED
(RM Million)



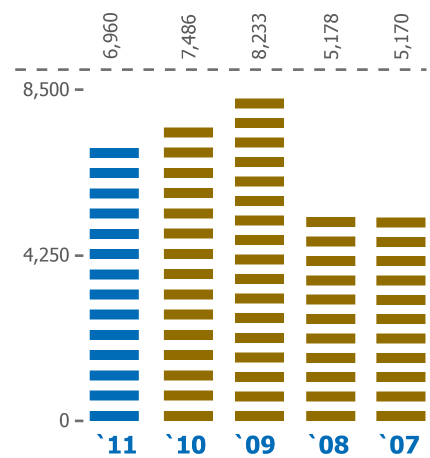
LOANS, ADVANCES & FINANCING
(RM Million)



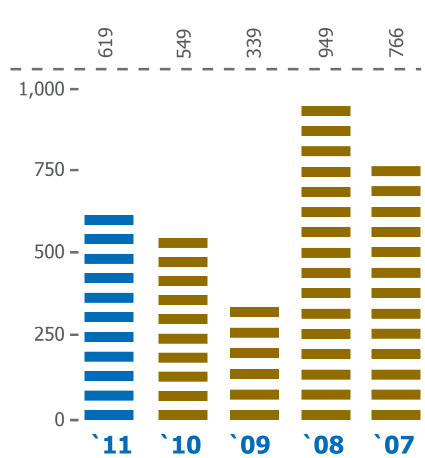
NET INCOME
(RM Million)



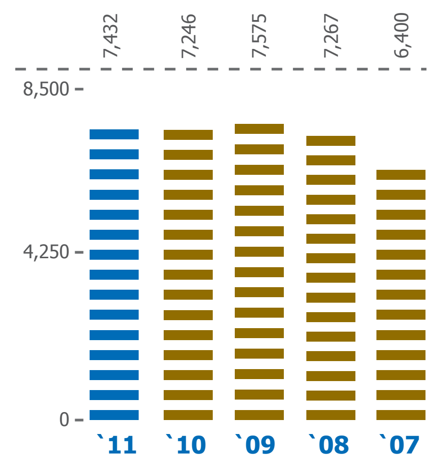
DEPOSITS FROM CUSTOMERS
(RM Million)



PROFIT BEFORE TAXATION
(RM Million)

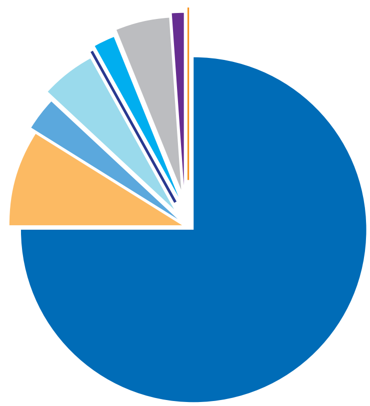


TOTAL EQUITY
(RM Million)



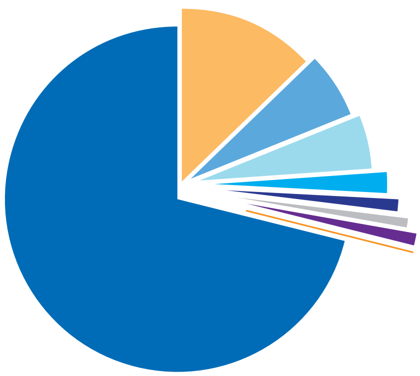
2011

- 75% Loans, advances and financing
- 9% Cash and short term deposits
- 5% Deposits and placement with financial institutions
- 5% Other assets
- 3% Financial investment - Available for sale (AFS)
- 2% Fixed assets
- 1% Interest in jointly controlled entities
- 0% Financial investment - Held to maturity (HTM)
- 0% Investment properties



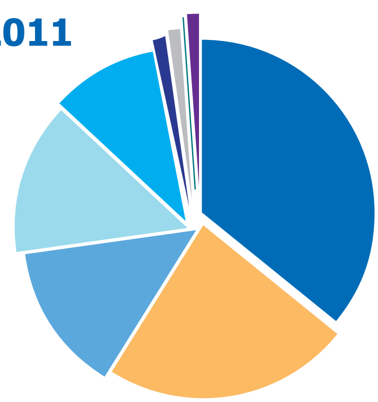
2010

- 71% Loans, advances and financing
- 13% Cash and short term deposits
- 6% Financial invesment - Available far sale (AFS)
- 5% Other assets
- 2% Fixed assets
- 1% Financial invesment - Held to maturity (HTM)
- 1% Deposits and placement with financial institutions
- 1% Interest in jointly controlled entities
- 0% Investment properties



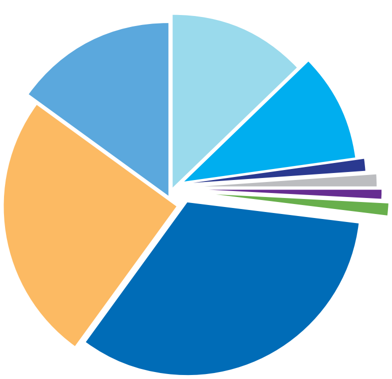
Assets 2010 / 2011

2011



- 36% Term loans
- 23% Deposits from customers
- 14% Redeemable Notes
- 14% Reserves
- 10% Share capital
- 1% Infrastructure support funds
- 1% Deferred income
- 1% Other liabilities
- 0% Minority interest

2010



- 33% Term loans
- 25% Deposits from customers
- 15% Redeemable Notes
- 13% Reserves
- 10% Share capital
- 1% Infrastructure support funds
- 1% Deferred income
- 1% Other liabilities
- 1% Minority interest

Equity and Liabilities 2010 / 2011

Analysis of Significant Balance Sheet Movements

TOTAL ASSETS

The Group's total assets as at 31 December 2011 grew by 0.93% or RM0.28 billion to RM30.31 billion compared to the previous financial year. This was mainly contributed by loan growth of 6.58% or RM1.41 billion.

DEPOSITS AND PLACEMENT WITH FINANCIAL INSTITUTIONS

The Group's total deposits and placements for the FY ending 31 December 2011 decreased by 2.77% or RM0.11 billion. During 2011, most of the available funds were utilized for loan disbursements.

FINANCIAL INVESTMENT – AFS/HTM

The Group's total financial investment – AFS/HTM as at 31 December 2011 decreased significantly by 43.9% or RM0.9 billion mainly due to redemption of loan stock amounting to RM0.25 billion and maturity/sale of private debt securities amounting to RM0.54 billion.

LOANS, ADVANCES AND FINANCING

The Group's total net loans, advances and financing recorded a moderate growth of 6.58% or RM1.41 billion for the FY ended 31 December 2011.

The Group's lending direction was focused on its main principal activity and during the year, a total of RM4.35 billion worth of loan was disbursed by Bank Pembangunan and its lending arm, Pembangunan Leasing Corporation Sdn Bhd ('PLC'), while loan collection during the year registered RM3.63 billion.

FIXED DEPOSITS AND ACCEPTANCES/REDEEMABLE NOTES

The Group's fixed deposits and acceptance decreased by 7.03% or RM0.53 billion to RM6.96 billion as at 31 December 2011. This was in line with the funding strategy of reducing reliance on short term deposit and increasing medium/long term funding. During the year, RM1.0 billion of medium term funding was drawndown from KWSP.

TOTAL EQUITY

Profit for the year of RM455.55 million contributed to the increase in reserves of the Group by 4.93% or RM0.20 billion to RM4.16 billion as at 31 December 2011. This had a direct impact on total equity for the Group, which improved by 2.56% from RM7.25 billion to RM7.43 billion for the FY ending 31 December 2011.

Analysis of the Income Statement

INTEREST INCOME

Interest income of the Group grew by 6.0% or RM82.0 million for the FY ended 31 December 2011. The Group's core activity in loan financing was the main contributor with RM1.1 billion or 78.87% of the total interest income for the year.

Interest income earned from deposit and placement with financial institution for the FY ended 31 December 2011 increased by RM26.96 million. Nevertheless, the increase was offset by a decrease in income from financial investment – AFS/HTM by 31.27% or RM24.03 million to RM52.84 million largely due to decrease in investment securities, as a result of redemption of loan stock and maturity/sale of private debt securities during the period under review.

NON-INTEREST INCOME

Non-interest income of the Group decreased significantly by 33.05% or RM135.93 million for the FY ended 31 December 2011 from the previous year. The decrease was mainly due to unrealized loss on foreign currency translation of Euro borrowings, non-recurring income on disposal of vessels by Global Maritime Ventures Bhd (GMVB) as well as lower charter hire and freight income recorded during the year.

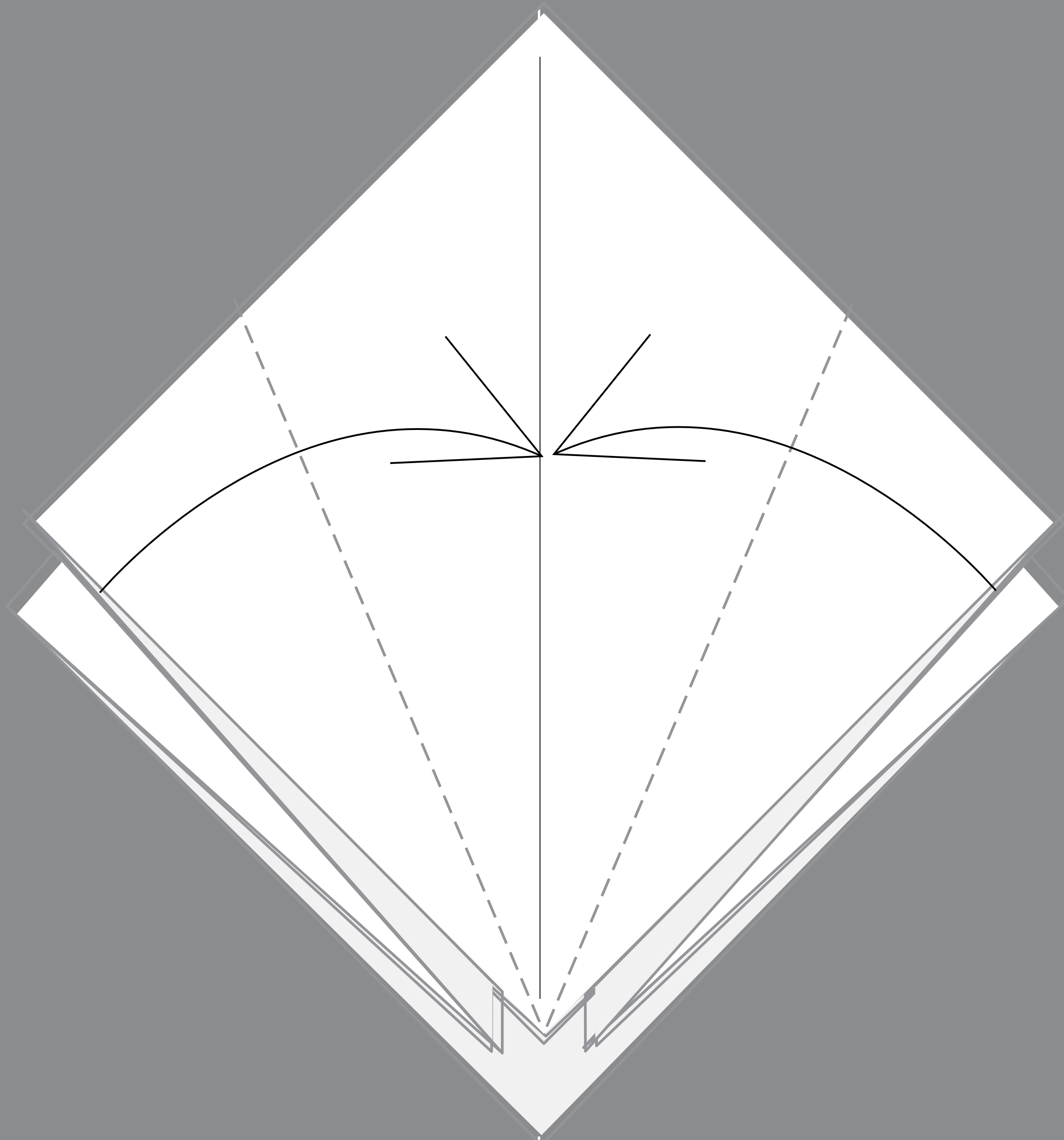
OVERHEAD EXPENSES

For the FY ended 31 December 2011, overhead expenses of the Group lowered by 12.98% or RM30.87 million mainly due to decrease in personnel cost and general administrative expenses. A major portion of the decrease was directly related to the disposal of four dry bulkers (vessels) in 2010.

Establishment related expenses of the Group increased by 26.21% mainly due to higher cost related to repairs and maintenance of property, plant and equipment, particularly vessels that are still in operations.

ALLOWANCE FOR IMPAIRMENT OF LOANS & FINANCING AND IMPAIRMENT LOSSES ON FINANCIAL INVESTMENT (AFS & HTM)

For the year under review, the Group benefited from lower allowance for impairment of loans & financing and impairment losses on financial investment (AFS/HTM), decreasing by RM107.17 million to RM359.99 million from RM467.17 million in 2010.



PURPOSE

At BPMB there must be a sense of commitment in memorizing the steps to achieve a higher level of skills, in continuing to enhance every model with confidence that is possible in the art of paper folding.

DATO' MOHAMMED BIN HAJI CHE HUSSEIN
Non-Executive Chairman

Dato' Mohammed Haji Che Hussein was appointed as the Chairman of BPMB on September 15, 2011. He holds a Bachelor of Commerce (Accounting) degree from the University of Newcastle, Australia and is an alumni of the Harvard Business School Advanced Management Program, Boston, USA.

Dato' Mohammed had a long-standing career of 31 years with the Maybank Group and held various senior management positions including Head of Corporate Banking, Head of Commercial Banking, Head of Malaysian Operations, Managing Director/Chief Executive Officer of Aseambankers Malaysia Berhad. Prior to his retirement in January 2008, he was the Executive Director/Deputy President/Chief Financial Officer of Maybank.

Currently he is the Chairman of Quill Capita Management Sdn. Bhd., Malaysia Commercial Development Fund Pte. Ltd. and Non-Executive Director of Hap Seng Consolidated Bhd., Danajamin Nasional Bhd., PNB Commercial Sdn.Bhd., CapitaCommercial Trust Management Ltd. and MCB Bank Ltd. (Pakistan).

He is also a Board member of University Malaysia Kelantan and member of the Corporate Debt Restructuring Committee (CDRC), established by Bank Negara Malaysia.

DATO' MOHD ZAFER BIN MOHD HASHIM
President/Group Managing Director

Dato' Mohd Zafer Mohd Hashim was appointed as the President/Group Managing Director of BPMB on August 5, 2009. He holds a Bachelor of Science Economics and Mathematics from the London School of Economics and Political Science, University of London. He is a Chartered Accountant by profession and a member of the Institute of Chartered Accountants in England and Wales.

He was previously the Chief Financial Officer of Maybank Investment Bank Berhad and Bank Muamalat Malaysia Berhad. Prior to Bank Muamalat, he was attached to MMC Corporation Berhad as its General Manager. He began his career with Price Waterhouse in London.

His current directorships in companies within Bank Pembangunan Group include being the Director of Global Maritime Ventures Berhad, Pembangunan Leasing Corporation Sdn Bhd and SME Growth Acceleration Fund Sdn Bhd. He also sits on the board of Malaysian Bulk Carriers Berhad.

SITI ZAUYAH BINTI MD DESA
Non-Independent Non-Executive Director

Puan Siti Zauyah Md Desa was appointed to the Board on January 6, 2009. She graduated with MBA International Banking (Board of Directors' List) from the University of Manchester, United Kingdom, BSc (Hons) in Quantity Surveying from University of Reading, UK and GCE 'A' Levels from Aston College, Wrexham, Wales, UK. She also holds a Diploma in Public Administrations from National Institute of Public Administration (INTAN).

She is currently the Deputy Secretary, (Economy) Investment, MOF (Inc) & Privatisation Division, a position she held since September 2008. She has served the MOF in various capacities since 1989. She was the Advisor and Secretariat to the Malaysian delegation to international assignments from 1998 to 2007. She was also the Advisor representing Malaysia at the Asian Development Bank, Manila from 2003 to 2006 and the Special Advisor for IDB Islamic Trade Financing Corporation matters from 2007 to 2008.

Her current directorships in companies within Bank Pembangunan Group include Pembangunan Leasing Corporation Sdn Bhd, PLC Credit & Factoring Sdn Bhd and BI Credit & Leasing Berhad. She also sits on the boards of UDA Holdings Berhad, Amanah Raya Berhad and Syarikat Prasarana Negara Berhad.

HAJI ZAINUL RAHIM BIN MOHD ZAIN
Independent Non-Executive Director

Tuan Haji Zainul Rahim Mohd Zain was appointed to the Board on March 8, 2010. He holds a Bachelor of Engineering (majoring in Mechanical Engineering) from University of Western Australia (1975).

He began his career at Shell Malaysia Exploration and Production ("SM-EP") in 1978 as a Wellsite Petroleum Engineer. He held various positions in drilling engineering, petroleum engineering, and information management & technology in SM-EP and during his two assignments in the Netherlands. He was General Manager of SM-EP's Business Services (1997), Technical Services (1999) and the Sarawak Business Unit (2000), before being appointed as Deputy Chairman and Executive Director of Shell Malaysia in December 2001. In July 2003, he double-hatted as Shell Asia Pacific Region's Transition Director, based in Singapore. In November 2005, he was appointed to the position of Chairman of Shell companies in Egypt and Managing Director of Shell Egypt N.V., before retiring from the Shell Group on 30 June 2008.

During his tenure as SM-EP Deputy Chairman, Encik Zainul sat on the board of 12 oil & gas companies and was also the Chairman, Director, Trustee and member of various NGOs, including the Society of Petroleum Engineers AsiaPac, Petroleum Industry Malaysia Mutual Aid Group, Business Council for Sustainable Development Malaysia, and Malaysia International Chamber of Commerce and Industry. While in Egypt, he chaired Shell Egypt's Country Coordination Team and Shell Express CNG, and sat on the Board of Shell Egypt N.V., Shell Egypt Deepwater B.V. and Bapetco.

He currently sits on the boards of UKM Holdings Sdn Bhd, Petronas Carigali Sdn Bhd, Hibiscus Petroleum Berhad, Camco South East Asia Ltd, Pantai Merdeka Ventures Sdn Bhd and Camco International Ltd.

TAN SRI FAIZAH BINTI MOHD TAHIR
Independent Non-Executive Director

Tan Sri Faizah Mohd Tahir was appointed to the Board on June 1, 2010. She holds a Bachelor Degree in Economics from Universiti Malaya and Masters in Development Economics from William College, United States of America.

She joined the Economic Planning Unit ("EPU"), Prime Minister's Department in 1973 and served in the Agriculture, Distribution and Human Resource Sections in various capacities. Her last position in the EPU was as Director, Commerce and Industry Section before she was promoted to the post of Secretary-General of the Ministry of Women, Family and Community Development which she held from 2001 until her retirement in 2009.

She currently sits as the Chairman of Bank Pertanian Malaysia Berhad (Agrobank) and a Director of Goodyear Malaysia Berhad, Goodyear Marketing & Sales Sdn Bhd and Faith Acres Sdn Bhd. She is also a member of the Investment Committee of Amanah Saham Wawasan 2020.

DATO' DR. SYED JAAFAR BIN SYED AZNAN
Independent Non-Executive Director

Dato' Dr. Syed Jaafar Syed Aznan was appointed to the Board on June 1, 2010. He holds a Bachelor of Economics (Honours) from the University of Malaya, Masters in Business Administration from the Wharton School, University of Pennsylvania, USA and Ph.D from Henley – the Management College, Brunel University, United Kingdom.

He joined the Administrative and Diplomatic Service in 1970 and held various positions in Ministry of Finance. He was the State Financial Officer of Perak from 1991 to 1993. He was the Deputy Secretary General, Ministry of International Trade and Industry from 1993 to 1995 and Deputy Secretary General, Ministry of Defence from year 1996 to 1997. In 1997 he was appointed to the position of Vice President of Islamic Development Bank ("IDB"), Jeddah, Saudi Arabia and retired from IDB in 2009.

He is currently the Chairman of Perbadanan Kemajuan Ekonomi Islam Negeri Perak and a Council Member of Majlis Agama Islam dan Adat Melayu Perak.

DATUK IDRIS BIN ABDULLAH
Independent Non-Executive Director

Datuk Idris Abdullah was appointed to the Board on December 1, 2010. He graduated from University of Malaya in 1981 with Bachelor of Laws (First Class Honours). His career started in 1981 when he did his Chambering at Ting Tung Ming Esq in Sibu, Sarawak. In 1982, he was admitted to The Roll of Advocates of The High Court of Malaysia in Sabah and Sarawak. He also served as Resident Lawyer at Ting & Company, Sibu, Sarawak; In-House Legal Advisor of Sarawakian Group of Companies and is currently Senior Partner of Idris & Company Advocates.

His experience in the corporate sector began in 1979 as a partner/shareholder in a group of bumiputera companies in Sibu, Sarawak. From 1995 to date, he was the Advisor to a number of Sarawak companies engaged in construction and building, motor trading, recreation club and educational institution. He was also a director/shareholder of a Bumiputra PKK Class A/CIDB Group 7 company engaged in a number of government building/infrastructure projects. From October 2002 to September 2005, he was the Director and Chairman of Kuantan Flourmills Berhad.

His current directorships in companies within Bank Pembangunan Group include being the Chairman of Pembangunan Leasing Corporation Sdn Bhd., PLC Credit & Factoring Sdn Bhd and BI Credit & Leasing Berhad. He is also the Chairman of APAC Coal Limited (Australia), Magnus Energy Group Ltd. (Singapore), Industrial Power Technology Pte. Ltd. (Singapore) and Director of Konsortium Rangkaian Serantau Sdn Bhd. He was a Commission Member of the Companies Commission of Malaysia between 2007 and 2011 and is currently a Commission Member of the Malaysian Communications and Multimedia Commission.

HAJI ROSLI BIN ABDULLAH
Independent Non-Executive Director

Tuan Haji Rosli Abdullah was appointed to the Board on January 3, 2011. He graduated from Universiti Kebangsaan Malaysia with Master in Business Administration; Post-Graduate Diploma in Accounting and Bachelor in Economics (Honours) from Universiti Malaya. He is also a Chartered Accountant and Member of Malaysian Institute of Accountants (MIA).

Currently he serves as the Registrar and formerly was the CEO of MIA. He had served in various capacities in the public and private sectors such as the Accountant General's office at the State and Federal treasury departments, Ministry of Finance; Chief Accountant in the Ministry of Works and Ministry of Education. He also attached to Public Services Department, Government Pension Department as Chief Accountant and Secretary to Teachers Provident Fund. He was appointed as Bursar of Universiti Putra Malaysia from 1991 to 1993 and Director of Corporate Services, Accountant General Department from 1993 to 1994. He was the Financial Controller/General Manager Finance of Kuala Lumpur International Airport Berhad from 1994 to 1996 before joining Putrajaya Holdings Sdn Bhd from 1996 to 2008 as Senior General Manager.

He currently sits on the boards of i-VCAP Management Sdn. Bhd. and Keretapi Tanah Melayu Berhad.

HAJI ABDUL AZIZ BIN ISHAK
Independent Non-Executive Director

Tuan Haji Abdul Aziz Ishak was appointed to the Board on September 29, 2011. A Naval Architect by profession, Tuan Haji Abdul Aziz holds an Ordinary National Certificate in Nautical Science from the Riversdale College of Technology, Liverpool, United Kingdom in 1974 and a Bachelor of Science in Naval Architecture and Ocean Engineering from the University of Glasgow, Scotland, United Kingdom in 1981. He later attended an Advanced Management Program at the Smeal Business School from the Pennsylvania State University in the United States of America.

He has over 30 years of experience in the Oil and Gas and marine industry. He started his career as a Cadet and Deck Navigating Officer with Blue Funnel Line in Liverpool in 1971 and later joined Orient Lloyd (M) Sdn Bhd as Shipping Operations Executive in 1975. From 1981 to 1983, he was attached to Penang Port Commission as Naval Architect / Planning Engineer before joining PETRONAS, Marine Department in 1983 as Section Head. He was later promoted to Senior Manager, Technical Services of PETRONAS Tankers Sdn Bhd in 1990 and was posted to France and Japan before returning to Malaysia in 1996 as General Manager, Fleet Operations. In 1999, he was promoted as Chief Executive Officer (CEO) of PETRONAS Tankers Sdn Bhd and concurrently was also the Senior General Manager of Fleet Management Division and LNG Shipping Business Division of MISC Berhad. In 2001, he was transferred back to PETRONAS as the Managing Director/Chief Executive Officer of PETRONAS Maritime Group of Companies before retiring in May 2007.

Currently, he is the Executive Director of Mentor Solutions & Resources Sdn. Bhd., a company providing technical services, consultancy and training for the Oil, Gas and Petrochemical Industry. He also sits on the board of Global Maritime Ventures Berhad, a subsidiary of BPMB, Dayang Enterprise Holdings Bhd., Miles Academy Sdn. Bhd., Mentor Project Management Sdn. Bhd., Mentor Turnaround Management Sdn. Bhd. and Nippon Kaiji Kyokai Classification of Ships Bhd.

PROFILE OF SHARIAH COMMITTEE

1. TAN SRI DATO' SERI (DR.) HAJI HARUSSANI BIN HAJI ZAKARIA

Chairman

Tan Sri Dato' Seri Haji Harussani Haji Zakaria is the Mufti for the State of Perak since 1985. Currently he is a member of the Ahli Jawatankuasa Syariah Bank Pembangunan, Majlis Penasihat Syariah Etiqa Takaful Sdn Bhd, Maybank Islamic and Amanah Raya Malaysia. He holds a Diploma of Education from Malaya Islamic College Klang. He has written several books and publication on Islamic ethics and principles.

2. PROF. DR. ABDUL JALIL BIN BORHAM

Prof. Dr. Abd. Jalil Borham is an Islamic Law and Economy Degree Holder and holds a Master in Administration of Islamic Law from University of Malaya. In 1998, he completed his PhD in Islamic Muamalah Sciences at University of Malaya. He had previously lectured at MARA Institute of Technology in 1989 and International Islamic University Malaysia from 1990 to 1993, and University Teknologi Malaysia 1994 to 2005. Currently, he is attached to University Malaysia Pahang as a Professor of Islamic Muamalat Sciences and Dean of Centre for Modern Languages & Human Sciences. He has published 21 books and; written numerous articles, journals and research papers on Islamic Laws.

3. DR. RIDZWAN BIN AHMAD

Dr. Ridzwan Ahmad is a graduate from University Malaya in Bachelor of Shariah (Hons) majoring in Fiqh and Usul. He holds a Masters Degree in Shariah, majoring in Fiqh and Usul from University Kebangsaan Malaysia and a PhD majoring in Fiqh and Usul and Maqasid Shariah from University Malaya. He serves as a lecturer and researcher / writer at Fiqh & Usul Department of the Islamic Studies Academy, University of Malaya since 1996. He has also written various research papers on Islamic transactions and is currently researching on Hibah principles in Islamic Law.

4. ASSISTANT PROF. DR. MISZAIRI BIN SITIRIS

Dr. Miszairi Sitiris, a Bachelor of Islamic Revealed Knowledge and Human Sciences (Fiqh and Usul Al-Fiqh) Degree Holder from International Islamic University Malaysia, was appointed to the Shariah Committee on 1st July 2008. He holds a PhD in Fiqh and Usul Al-Fiqh; a Master of Islamic Revealed Knowledge and Human Sciences in Fiqh and Usul Al-Fiqh and a Bachelor's Degree in Psychology from International Islamic University Malaysia. He has written two research papers on Islamic Family Law. Currently, he is attached to International Islamic University Malaysia as a Deputy Dean of Student Affairs, Kulliyyah of Islamic Revealed Knowledge and Human Sciences.

1. **Syed Iskandar Shah bin Syed Abu Bakar**
   (LS 0009541)
   Company Secretary

2. **Hazlinda binti Ahmad Rosdi**
   (MAICSA 7053034)
   Joint Company Secretary

1. **Dato' Mohd Zafer bin Mohd Hashim**
   President/Group Managing Director

2. **Jamaluddin bin Nor Mohamad**
   Chief Operating Officer

3. **Afidah binti Mohd Ghazali**
   Chief Financial Officer

4. **Zakaria bin Saad**
   Vice President/Head
   Business Banking 1

5. **Abu Hurairah bin Bahari**
   Chief Credit Officer

6. **Mahmud Zuhoi bin Palal**
   Chief Risk Officer
   (joined BPMB / Committee on 16th June 2011)

7. **Fauziah Hanim binti Baharin**
   Vice President/Head
   Group Human Resource Development

8. **Mustafa Kamal bin Abd Mutalib**
   Chief Executive Officer
   Pembangunan Leasing Corporation Sdn. Bhd.

9. **Abdul Karim bin Ismail**
   Acting Chief Executive Officer
   Global Maritime Ventures Berhad
   (effective on 22 July 2011)

10. **Syed Iskandar Shah bin Syed Abu Bakar**
    Vice President/Head,
    Group Legal & Corporate Secretarial
    (effective on 1 January 2012)

*** Mazlan Atan**
Chief Risk Officer
(resigned from BPMB 1 June 2011)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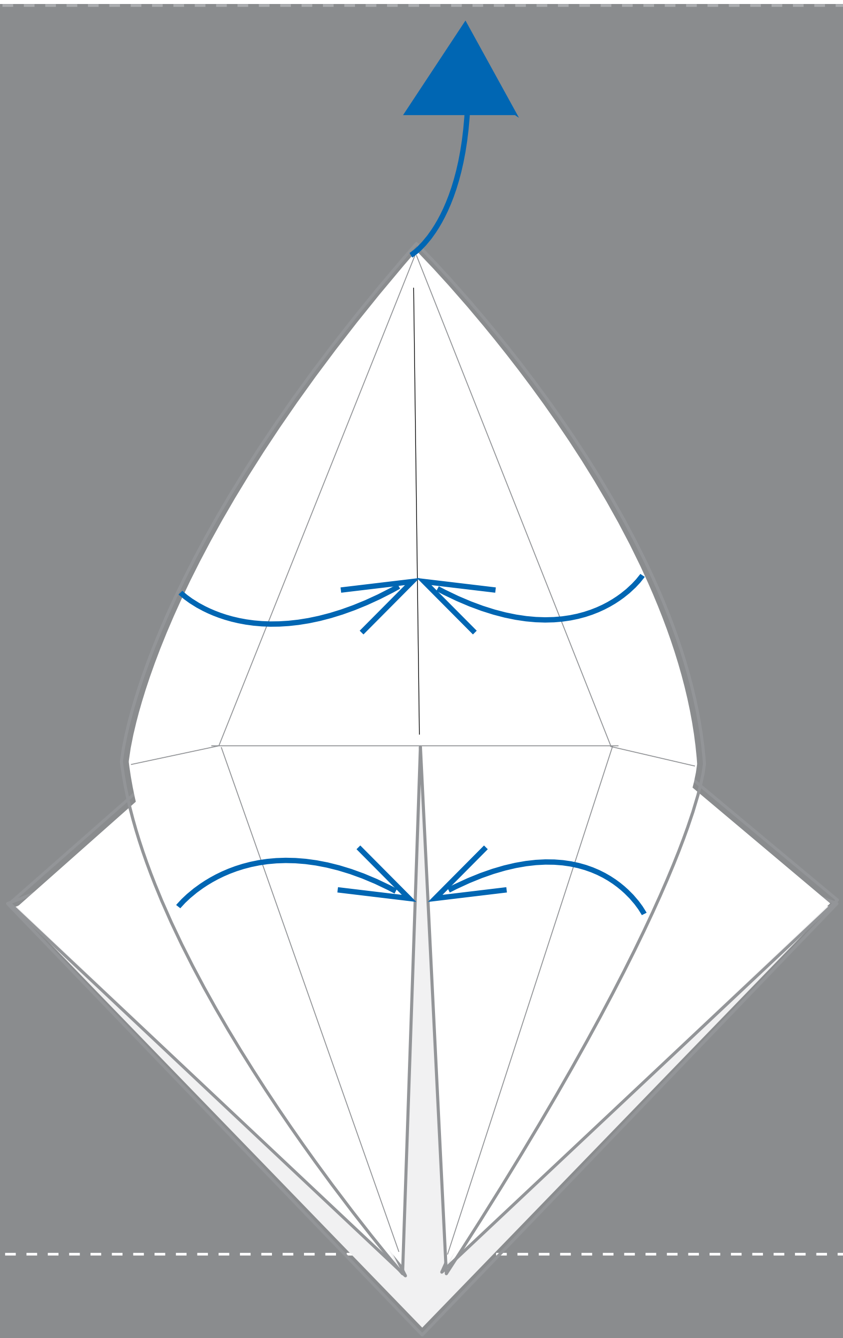


PRIORITIES

With proper basic techniques that must be attained and practiced, ethical rules must be upheld in the ability to acquire the right type of paper surfaces, that guarantees BPMB's delivery of the finest products and services.

The Board of Directors of Bank Pembangunan Malaysia Berhad is committed to uphold good corporate governance by continuously advocating transparency, accountability, responsibility and integrity, in line with the principles of Corporate Governance and Bank Negara Malaysia (BNM)'s Guidelines on Corporate Governance for Development Financial Institutions to protect and enhance shareholder's value and the performance of the Group.

BOARD OF DIRECTORS

Board Composition and Balance

The Directors' professional backgrounds, skills, extensive experience and knowledge in various fields and their experience accumulated while serving both in private and government sectors, brings to the Board the necessary range of expertise and experience required by the Board to effectively perform its functions. A brief background of each Director is presented on pages 14 to 18 of the Annual Report.

The Board currently has nine (9) members with one (1) Non-Executive Chairman, one (1) Executive Director who is the Bank's President/Group Managing Director, one (1) Non-Independent Non-Executive Director and six (6) Independent Non-Executive Directors. All Independent Directors are persons of calibre and credibility to exercise independent judgement to the Board. Their role is to ensure that any decision of the Board is deliberated fully and objectively with regard to the long-term objectives of the Bank.

The appointment/re-appointment of Directors are governed by BNM Guidelines on Corporate Governance for Development Financial Institutions and the Bank's Articles of Association. The Nominating Committee (NC) reviews and assesses the appointments/re-appointments of Directors. NC will refer to the results of the individual assessments conducted via Individual Director and Peer Assessment for re-appointment of Directors. The recommendation of NC will be presented to the Board and thereafter to Ministry of Finance (MOF) for approval. Upon MOF approval, the application of the appointment/re-appointment will be submitted to BNM for verification.

The Board had also implemented annual assessment of the effectiveness of the Board as a whole and Board Committees. The feedback and suggestions from the Board will be collated and summarised for deliberation/information of NC and thereafter to the Board.

Duties and Responsibilities

The Board is responsible to ensure the effectiveness of the Bank's operations. This includes the responsibility for determining the Bank's overall strategic direction, approval of performance targets, monitoring of management achievements, providing overall policy guidance and ensuring that policies and procedures for internal control system and succession planning are in place.

There is a schedule of matters reserved specifically for Board's decision, including approval of corporate plans and annual budgets, recommendation of dividends, acquisitions and disposals of undertakings and properties of substantial value, major investments and financial decisions, changes to the management and control structure within the Group, including policies and delegated authority limits.

Where a potential conflict of interest arises, the Director concerned needs to declare his/her interest and abstain from the deliberation and decision-making process.

Board Meeting And Supply Of Information

The Board of Directors meets at least once a month to discuss and monitor amongst others, the overall conduct and performance of the Bank's business, including matters relating to financial, policies, strategies, performance and resources. In between Board meetings, approvals on urgent or important business issues requiring the sanction of the Board are sought by convening special board meetings or by way of circular resolutions enclosing all relevant information to enable the Board to make informed decisions. All circular resolutions approved by the Board will be tabled for notation at the next Board meeting.

The Board and Board Committees meetings are planned in advance prior to the commencement of a new year and the schedule is circulated to the Directors in advance to enable them to plan ahead. The agenda for each Board meeting and papers relating to the matters to be deliberated at the meeting are forwarded to all Directors for perusal prior to the date of the Board meeting.

The Board also peruses the decisions deliberated by Board Committees through minutes of these committees. The Chairman of the Board Committees is responsible to inform the Directors at Board meetings of any salient matters noted by the Committees and which require the Board's notice or direction. All proceedings of Board meetings are minuted and signed by the Chairman of the meeting in accordance with the provisions of Companies Act, 1965.

All Directors have direct access to the services of the Company Secretary and to the Senior Management. Independent professional advice is also made available to Directors in furtherance of their duties in the event such services are required.

During the financial year ended 31 December 2011, the Board met 12 times. The record of attendance by Directors at the Board Meetings for 2011 are as follows:

NAME OF DIRECTOR	NO. OF MEETINGS AND ATTENDANCE
Tan Sri Dr. Abdul Samad bin Haji Alias Non-Executive Chairman *(term ended 1 August 2011)*	7/7*
Dato' Mohammed bin Haji Che Hussein Non-Executive Chairman *(appointed on 15 September 2011)*	4/4*
Dato' Mohd Zafer bin Mohd Hashim President/Group Managing Director	11/12
Puan Siti Zauyah binti Md Desa Non-Independent Non-Executive Director	12/12
Tuan Haji Zainul Rahim bin Mohd Zain Independent Non-Executive Director	12/12
Tan Sri Faizah binti Mohd Tahir Independent Non-Executive Director	11/12
Dato' Dr Syed Jaafar bin Syed Aznan Independent Non-Executive Director	11/12
Datuk Idris bin Abdullah Independent Non-Executive Director	12/12
Tuan Haji Rosli bin Abdullah Independent Non-Executive Director *(appointed on 3 January 2011)*	11/12
Tuan Haji Abdul Aziz bin Ishak Independent Non-Executive Director *(appointed on 29 September 2011)*	3/3*

* *Reflects the number of meetings attended during the time the Director held office*

Training And Development Of Directors

Newly appointed Directors are required to attend an induction programme organized by the Management to brief on the Bank's history, operations and financial performance to enable them to have first hand understanding of the Bank's operations. At the induction programme, Heads of Functions/Chief Executive Officer of the main subsidiaries will brief the new Directors on their areas of responsibilities to provide the Directors with background knowledge of the Bank as well as a platform to establish initial interaction with the key senior officers.

The members of the Board keep abreast with developments in the banking industry by attending conferences and seminars held in Malaysia and abroad for their continuing education and skills improvement.

The Bank also encourages Directors to attend talks, training programmes and seminars to update themselves on new developments in the business environment.

D. COMMITTEES

There are five Board Committees established to assist the Board in discharging of its duties and responsibilities, namely the Credit Committee of the Board, Audit & Examination Committee, Nominating Committee, Remuneration Committee and Risk Management Committee.

CREDIT COMMITTEE OF THE BOARD

1. Objective

The primary objective of the Credit Committee of the Board (CCB) is to perform supervisory and oversight role of loan approval and to ensure adequate risk management processes are in place.

2. Functions and Responsibilities

- Veto power to challenge, reject loan and modify the terms of all loans related financing facilities.
- To approve "policy loans" and loans which are required by statute to be approved by the Board, provided that the initial filter of approval is conducted by the full-time executive committee.
- Recommend, verify and endorse all cases of write-offs to the Board of Directors for final approval.
- Have full authority to seek/obtain any information it requires from any employee of the Bank and to commission any investigations, reports or surveys, which it deems necessary.
- Appoint or obtain any outside legal or other professional consultation which it deems necessary, at the Bank's expense.
- To approve and endorse any recommendation from the approving authority in cases of ambiguity and/or enhancement in credit risk.

3. Committee Meeting and Attendance

Based on the Term of Reference of CCB, the meeting is to be held once a fortnight or when necessary. During the financial year 2011 the CCB held 15 meetings. The members of the Committee and their records of attendance are as follow:

MEMBERS	NO. OF MEETINGS AND ATTENDANCE
Tan Sri Dr. Abdul Samad bin Hj Alias, Chairman *(term ended 1 August 2011)*	7/7*
Dato' Mohammed bin Haji Che Hussein, Chairman *(appointed on 29 September 2011)*	5/5*
Puan Siti Zauyah binti Md Desa	13/15
Tuan Haji Zainul Rahim bin Mohd Zain	13/15
Tan Sri Faizah binti Mohd Tahir *(appointed on 1 January 2011)*	14/15
Tuan Haji Rosli bin Abdullah *(appointed on 30 November 2011)*	1/1*
Tuan Haji Abdul Aziz bin Ishak *(appointed on 30 November 2011)*	0/1*

* *Reflects the number of meetings attended during the time the Director held office*

AUDIT & EXAMINATION COMMITTEE

1. Objective

The objective of the Audit & Examination Committee (AEC) is to review the financial condition of the Bank and its subsidiaries, its internal controls, performance and findings of the Internal Auditors, and to recommend appropriate remedial action regularly.

2. Functions and Responsibilities

The functions and responsibilities of the AEC are as follows:

- Recommend to the Board each year on the appointment/ re-appointment of External Auditors, the fee and other matters pertaining to the resignation or termination or change of External Auditors.

- Review with External Auditors:
  (a) Their audit plan.
  (b) Their evaluation of the system of internal control.
  (c) Their audit report.
  (d) Their management letter and management's response.
  (e) The assistance given by the management and staff to the External Auditors.

- Carry out the following with regards to the internal audit function:
  (a) Review the adequacy of scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work.
  (b) Review and approve internal audit plan, programme and processes.
  (c) Review audit reports and consider adequacy of Management's actions taken on audit findings or recommendations.
  (d) Recommend to the Nominating Committee of the Board on the appointment and termination of the Head of Internal Audit.
  (e) Review any appraisal or assessment of members of the internal audit function as well as decide on their remuneration package.
  (f) Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' International Professional Practices Framework for Internal Auditing consisting of the Definition of Internal Auditing, Code of Ethics and the Standards.
  (g) Review the assessment or findings arising from the Shariah audit and report the non-compliance events to the Board.

- Receive and consider reports relating to the perpetration and prevention of fraud.

- Review the Bank's compliance with the related Government's regulations including Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) measures.

- Review the quarterly result and the year-end financial statements prior to their submission to the Board for its approval. The review of the year-end financial statement, whereby the presentation to the AEC will be conducted by the External Auditors, focuses particularly on:
  (a) Any major changes in the accounting policy or its implementation.
  (b) Adequacy of allowance against contingencies, bad and doubtful debts.
  (c) Significant and unusual events.
  (d) Compliance with accounting standards and other legal requirements.

- Ensure that the accounts are prepared in a timely and accurate manner and ensure prompt publication of annual accounts.

- Discuss any problem and reservations that may arise from the interim and final audits, as well as any matter which the External Auditors may wish to discuss in the absence of management where necessary.

- Review any related party transactions and conflict of interest situation that may arise in the Bank or within the Banking group including any transaction, procedure or conduct that raises questions of management integrity.

- Preparation of an AEC report at the end of each financial year, which will be published in the Bank's Annual Report.

- Review and endorse the status and progress of Management's responses and corrective measures on issues raised in the BNM Examination Report, before it is tabled to the Board for approval.

- The AEC shall also report on the following to the Board to enable the Board in preparing an AEC Report for the Bank's Annual Report:

  a) The composition of the AEC, including name, designation and directorship of the members and whether the Director is independent or otherwise.

  b) The terms of reference of AEC.

  c) The number of AEC meetings held in the financial year and details of attendance of each member.

  d) A summary of the activities of the AEC in the discharge of its functions and duties for the financial year.

  e) A summary of the activities of the Internal Audit Department.

- The AEC shall update the Board on the issues and concerns discussed during their meetings including those raised by External Auditors and where appropriate, make the necessary recommendation to the Board.

3. Committee Meeting and Attendance

Based on the Term of Reference of AEC, the meeting is to be held at least 4 times a year. During the financial year 2011 the AEC held nine (9) meetings. The members of the Committee and their record of attendance are as follows:

MEMBERS	NO. OF MEETINGS AND ATTENDANCE
Tuan Haji Rosli bin Abdullah, Chairman *(appointed on 3 January 2011)*	9/9
Tuan Haji Zainul Rahim bin Mohd Zain *(resigned on 30 November 2011)*	7/8*
Tan Sri Faizah binti Mohd Tahir	9/9
Dato' Dr Syed Jaafar bin Syed Aznan	8/9
Datuk Idris Abdullah *(appointed on 1 January 2011)*	7/9
Tuan Haji Abdul Aziz bin Ishak *(appointed on 30 November 2011)*	0/1*

** Reflects the number of meetings attended during the time the Director held office*

NOMINATING COMMITTEE

1. Objective

The objective of the Nominating Committee (NC) is to establish a documented, formal and transparent procedure for the appointment of Directors, President/Group Managing Director and key Senior Executives (Vice President who is also a Head of Function and above) and to assess the effectiveness of individual Directors, the Board as a whole and the various committees of the Board, President/Group Managing Director and key Senior Executives (Vice President who is also a Head of Function and above).

2. Functions and Responsibilities

The functions and responsibilities of the NC are as follows:

- Establishing minimum requirements for the Board and the President/Group Managing Director to perform their responsibilities effectively. It is also responsible for overseeing the overall composition of the Board in terms of the appropriate size and skills, the balance between Executive Directors, Non-Executive and Independent Directors, and mix of skills and other core competencies required through annual reviews.

- Recommending and assessing the nominees for directorship, the Directors to fill board committees, as well as nominees for the President/Group Managing Director position. This includes assessing Directors and the President/Group Managing Director proposed for reappointment, before an application for verification is submitted to Bank Negara Malaysia.

- Establishing a mechanism for formal assessment and assessing the effectiveness of the Board as a whole, the contribution by each Director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the President/Group Managing Director.

- Recommending to the Board on removal of a President/Group Managing Director if he is ineffective, errant or negligent in discharging his responsibilities.

- Ensuring that all Directors undergo appropriate induction programmes and received continuous training.

- Overseeing appointment and management succession planning of key senior executives (Vice President who is also a Head of Function and above), and performance evaluation of Senior Vice President, Chief Operating Officer and President/Group Managing Director and recommending to the Board the removal of key Senior Executives (Vice President who is also a Head of Function and above) if they are ineffective, errant and negligent in discharging their responsibilities.

  The President/Group Managing Director be given the authority to assess and evaluate candidates for new appointments, negotiate and determine the salary, benefits and terms and conditions of service for the positions of Vice President who is also a Head of Function and above and thereafter it would be tabled to the Nominating Committee for approval and thereafter to the Board Directors for notation.

  That the performance evaluation of Vice President (Head of Function) is delegated to the President/Group Managing Director.

- Propose the appointment of Board members to the Board of Directors of subsidiary companies.

3. Committee Meetings and Attendance

Based on the Term of Reference of NC, the meeting is to be held at least once a year. During the financial year 2011, the NC held seven (7) meetings. The members of the Committee and their record of attendance are as follows:

MEMBERS	NO. OF MEETINGS AND ATTENDANCE
Dato' Dr Syed Jaafar bin Syed Aznan, Chairman	6/7
Puan Siti Zauyah binti Md Desa	7/7
Tuan Haji Zainul Rahim bin Mohd Zain	7/7
Tan Sri Faizah binti Mohd Tahir	7/7
Tuan Haji Rosli bin Abdullah *(appointed on 29 March 2011)*	5/5*

* *Reflects the number of meetings attended during the time the Director held office*

REMUNERATION COMMITTEE

1. Objective

The objective of the Remuneration Committee (RC) is to provide a formal and transparent procedure for developing a remuneration policy for Directors, President/Group Managing Director and key Senior Executives (Vice President who is also a Head of Function and above) and ensuring that compensation is competitive and consistent with the Bank's culture, objectives and strategy.

2. Functions and Responsibilities

The functions and responsibilities of the RC are as follows:

- Recommending a framework of remuneration for Directors, President/Group Managing Director and key Senior Executives (Vice President who is also a Head of Function and above). The remuneration policy should:
  - (a) Be documented and approved by the full Board and any changes thereto should be subject to the endorsement of the full Board;
  - (b) Reflect the experience and level of responsibility borne by individual Directors, the President/Group Managing Director and key Senior Executives (Vice President who is also a Head of Function and above);
  - (c) Be sufficient to attract and retain Directors, President/Group Managing Director and key Senior Executives (Vice President who is also a Head of Function and above) of caliber needed to manage the Bank successfully; and
  - d) Be balanced against the need to ensure that the funds of the Bank are not used to subsidise excessive remuneration packages.
- Recommending specific remuneration packages for Directors, President/Group Managing Director and key Senior Executives (Vice President who is also a Head of Function and above). The remuneration packages should:
  - (a) Be based on an objective consideration and approved by the full Board;
  - (b) Take due consideration of the assessments of the Nominating Committee of the effectiveness and contribution of the Director, President/Group Managing Director or key Senior Executives (Vice President who is also a Head of Function and above) concerned;
  - (c) Not be decided by the exercise of sole discretion of any one individual or restricted group of individuals; and
  - (d) Be competitive and is consistent with the Bank's culture, objective and strategy.
- Endorsing any changes deemed necessary to the schemes, terms of services and new terms for executives and staff of BPMB before submission to the Board of Directors for final approval.

3. Committee Meetings and Attendance

Based on the Term of Reference of RC, the meeting is to be held at least once a year. During the financial year 2011, the RC held seven (7) meetings. The members of the Committee and their record of attendance are as follows:

MEMBERS	NO. OF MEETINGS AND ATTENDANCE
Tan Sri Faizah binti Mohd Tahir, Chairman *(appointed on 1 January 2011)*	7/7
Puan Siti Zauyah binti Mohd Desa	7/7
Dato' Dr Syed Jaafar bin Syed Aznan	7/7
Tuan Haji Zainul Rahim bin Mohd Zain *(appointed on 1 January 2011)*	7/7
Tuan Haji Rosli bin Abdullah *(appointed on 29 March 2011)*	6/6*

** Reflects the number of meetings attended during the time the Director held office.*

RISK MANAGEMENT COMMITTEE

1. Objective

The objective of the Risk Management Committee (RMC) is to oversee the senior management's activities in managing the key areas of the DFI and to ensure that the risk management process is in place and functioning effectively.

2. Functions and Responsibilities

The functions and responsibilities of the RMC are as follows:

- Provide oversight and strategic direction for the management of all risks in BPMB.
- Review and endorse policies for the management of the various risks for approval by Board of Directors.
- Review and approve objectives, functions and strategies for Credit Risk, Operational Risk and Market Risk Functions.
- Ensure structures and procedures for risk management are in place and they are reflective of BPMB risk tolerance.
- Review and endorse credit/lending policies encompassing all products and business for approval by Board of Directors.
- Review risk limits and concentration.
- Oversee the implementation of risk related strategic initiatives contained in its corporate plan.
- Review and address the overall risk profile of the Bank and monitor the risk portfolio composition of significant activities of the Bank.
- Review and endorse contingency plans for critical and worst case scenarios and address related issues.
- Review reports of credit review process, asset quality and ensure prompt corrective action.
- Promoting an integrated approach to evaluate and monitor interrelated risks.

3. Committee Meetings and Attendance

Based on the Term of Reference of RMC, the meeting is held once in every two months. During the financial year 2011, the RMC held six (6) meetings. The members of the Committee and their record of attendance are as follows:

MEMBERS	NO. OF MEETINGS AND ATTENDANCE
Tuan Haji Zainul Rahim bin Mohd Zain, Chairman	6/6
Puan Siti Zauyah Md Desa	6/6
Dato' Dr Syed Jaafar Syed Aznan *(appointed on 1 January 2011)*	5/6

RESPONSIBILITY

The Board of Directors ("Board") has the overall responsibility for maintaining a system of internal controls that is designed to manage the Group's risks within an acceptable risk profile, rather than eliminate the risk of failure to achieve the policies and business objectives of the Group. Accordingly, it can only provide reasonable assurance against misstatement of management and financial information and records. The Board has established an organization structure, which clearly defined lines of accountability and delegated authority.

The Board has instituted an ongoing process for identifying, evaluating and managing significant risks faced by the Group and this process includes enhancing the system of internal controls whenever there are changes to business environment or regulatory guidelines.

The Board has delegated specific responsibilities to four subcommittees (Audit and Examination, Risk Management, Nomination and Remuneration). These committees have the authority to examine particular issues and report back to the Board with their recommendation. These committees are chaired by independent Non-Executive Directors.

The management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

KEY INTERNAL CONTROL PROCESSES

The key processes that the Board has established in reviewing the adequacy and integrity of the system of internal controls include the following:

- The respective subcommittees of the Board are established by the Board to assist the Board in ensuring the effectiveness of the Bank's operations and that the Bank's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business environment and internal operating conditions.

- The Group Audit & Examination function provides independent assurance on the efficiency and effectiveness of the internal control systems and monitors compliance with policies and procedures and highlights significant findings in respect of any non-compliance. Audits are carried out on all units including subsidiaries, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report on operational and management activities of these units and subsidiaries. The annual audit plan is reviewed and approved by the Audit & Examination Committee.

- The Audit & Examination Committee reviews internal control issues identified by the Group Audit & Examination, the external auditors, regulatory authorities and management, and evaluates the adequacy of internal control system. The minutes of the Audit Committee meetings are tabled to the Board of the Bank on a monthly or periodic basis.

- The Risk Management Committee was established by the Board to assist the Board to oversee the overall management of principal areas of risk in order to ensure structures and procedures of risk management are in place and they are reflective of the Bank's risk tolerance.

- The Remuneration Committee was established to provide a formal and transparent procedure for developing a remuneration policy for Directors and its Senior Management, ensuring that compensation is competitive and consistent with the Bank's culture, objectives and strategy.

- The Nomination Committee was formed to establish a documented, formal and transparent procedure for the appointment of directors, Group Managing Director and key senior officers and to assess the effectiveness of individual directors, the Board as a whole and the various committees of the Board, Group Managing Director and key senior officers.

- Further details of the activities undertaken by the Audit & Examination Committee, Risk Management Committee, Nomination Committee and Remuneration Committee are set out in the corporate governance disclosure.

- Operational committees have been established with appropriate empowerment to ensure effective management and supervision of the Group's core areas of business operations. These committees include the Group Credit Committee A and B, Group Management Committee and the Information Technology Committee.

- Annual budgets are approved by the respective Boards and the business units and operating subsidiaries' performance are assessed against the approved budgets and explanations are provided for significant variances on a monthly basis to the respective Boards.

- There are proper guidelines within the Group for hiring and termination of staff, formal training programmes for staff, annual performance appraisals and other relevant procedures in place to ensure that staff are competent and adequately trained in carrying out their responsibilities.

- The Board of the Bank and the respective Boards of subsidiaries in the Group receive and review reports from management on a regular basis on business operations at their monthly meetings.

- There are policy guidelines and authority limits imposed on the executive director and management within the Group in respect of the day-to-day banking and financing operations, extension of credits, investments, acquisitions and disposals of assets.

- Policies and procedure to ensure compliance with internal controls and the relevant laws and regulations are set out in operations manuals, guidelines and directives issued by the Bank and subsidiaries in the Group which are updated from time to time.

The Bank believes that a strong and integrated risk management system is one of the critical success factors that form an essential element in sustaining the Bank's profitability while undertaking its developmental role.

Bank Pembangunan Malaysia Berhad (BPMB) has been guided by its risk management principles in managing its business risk, which outline a basis for an integrated risk management effort and good corporate governance. Internal controls, specific policies, guidelines and procedures have been established to govern the activities of operational and support functions of BPMB. Risks arising from these activities are managed by dedicated risk management functions under Group Risk Management, that play a vital role in the execution of risk management activities and strategies through the process of identifying, measuring, monitoring and controlling all material risks faced by BPMB.

Combined with a structured risk governance consisting of a strong Board and Management oversight, a good check & balance systems and a sound risk management practices, BPMB has built a strong foundation towards ensuring a holistic and integrated approach of risk management that will safeguard the quality of the BPMB's assets, thus minimizing reliance on collateral lending in its endeavor to achieve the mandate set by the Government.

Key risk achievements and measure undertaken during the year include:

- The adoption of credit rating model consisting of PD model, Parental/Group Support model, LGD model and EAD model.
- Upgrading of risk infrastructure for credit risk and market risk.
- BPMB formalized the Risk Management Framework that covers Risk Governance, Credit Risk, Liquidity Risk and Market Risk.
- Integrated Stress testing was conducted to capture the potential credit, market and liquidity risk exposures from an unexpected market movement.

BPMB's major risks are credit risk, market risk, liquidity risk and operational risk. These risks are managed within the risk governance, infrastructure and tools.

RISK GOVERNANCE

The Board of Directors has the ultimate responsibility for the sound and prudent management of BPMB. The Board of Directors' empowered the Risk Management Committee (RMC) to oversee the senior management's activities in managing the key risk areas of the DFI and to ensure that the risk management process is in place and functioning effectively. RMC ensures that appropriate infrastructure, resources and system are in place for risk management.

The Executive Risk Management Committee is the Management level committee and is responsible for the management of all material risks within BPMB.

The BPMB have been adopting the three lines of defence concept in managing its risk.

Approach	Responsibility	Functions
1st Line of Defence	Risk Taking Functions	Business and Support Function
2nd Line of Defence	Risk Control	Group Risk Management
3rd Line of Defence	Risk Assurance	Group Audit & Examination

Group Risk Management key functions are to support the dedicated risk management committees, develop the appropriate risk frameworks, policies, tools, methodologies and risk reports to identify, measure, monitor and control risks undertaken by the risk takers. Group Risk Management monitors and reports on the compliance to the risk limits approved by the Board.

MANAGEMENT OF CREDIT RISK

Credit Risk is the potential loss of revenue, either the principal or interest or both, arising from the failure or unwillingness of counterparties or borrowers to honour their financial and contractual obligations as and when due. These obligations are from lending, investment and other activities undertaken by BPMB.

BPMB is exposed to credit risk in its lending activities. Being ultimately responsible for the management of credit risk of BPMB, Credit Risk function is primarily involved in setting the risk management framework and developing tools and methodologies for identification, measurement, monitoring and control of credit risks. Credit Risk function also sets and reviews credit policies, set-up the concentration limits according to various categories such as single customer group, Large Loan Limit and industry sector limits.

Management of credit risk encompasses establishing internal controls within the credit process to minimize poor credit quality arising from imprudent lending, risk concentration in credit portfolio and other judgmental errors that could potentially impact the overall financial soundness of BPMB. Management of credit risk is not only vital at credit origination, but continues with the preservation of quality loan assets throughout the credit process.

BPMB adopts a two-prong approach:

i) Managing the Credit Risk

ii) Managing the Credit Portfolio

The management of credit risk and credit portfolio is captured in the following credit risk management processes:

Process	Methods
Risk Identification	• Independent credit risk assessment on credit proposals and credit reviews by Credit Risk function. • Identification of risk issues surrounding new financing products • Independent checking by Compliance function on non-compliance to credit disbursement conditions.
Risk Measurement	• Implementation of credit rating system to perform rating on all credit proposals and credit reviews.
Risk Control	• Clear segregation between credit sourcing and credit monitoring. • Establishment of hierarchy of credit approval which links the authority limits to credit amount. • Establishment of Credit Operations Policy and Guideline. • Monitoring of limits pertaining to financing portfolio. • Spreading credit portfolio across different economic sub-sector. • Proper selection and training of Credit staff.
Risk Monitoring	• In-depth post-mortem review on impaired credits and potential impaired credits. • Conduct post credit review on approved credits. • Annual credit reviews and updates of credit ratings. • Management of vulnerable credit and tracking of delinquent credits. • Stress testing of credit portfolio for possible downgrading of credits. • Independent assessment of credit compliance to policy and procedures.

CREDIT RISK MANAGEMENT FRAMEWORK

i. Framework for Managing Credit Risk

The identification, measurement, monitoring and controlling of credit risk are governed by two sets of framework that have been established by the Bank.

FRAMEWORK FOR MANAGING CREDIT RISK

For Management of Credit & Asset Quality	For Credit Preservation
Selection of Credit Personnel Credit Training Credit Policies and Standards Credit Risk Identification and Assessment on Credit Proposals Credit Risk Measurement Credit Approval Process Post Credit Review Credit Compliance for Credit Disbursement Product Sign-off	Credit Review Process Early Detection and Management of Vulnerable Credits Targets on Delinquent Credits Credit Control and Recovery Post Mortem Review

Management of Credit & Asset Quality

Credit risk management is further elaborated in the following processes that are managed according to the established framework:

- Business Banking processes credit applications. The selection of credit personnel is based on the required qualifications and criteria set by BPMB. To ensure the highest standard of credit assessment, Business Banking staff must undergo relevant training programmes to ensure understanding of credit evaluation. BPMB acknowledges that training must be continuous to enhance professionalism and staff competencies. To continuously promote professionalism and expertise in their work, BPMB encourages all staff in credit-related functions to secure the Certified Credit Professional (CCP).

- BPMB has instituted clear internal controls to govern lending activities and assessment of credit proposals for prudent lending activities through the establishment of Credit Operations Policy and Guideline. Being a development bank with specific mandate, BPMB cannot avoid from assuming higher risk in giving out credits. However in doing so, risk must be managed and governed by BPMB's policies and risk appetite. In addition, Operational manuals and guidelines as prescribed under the Development Financial Institutions Act 2002 (DFIA) are adhered to, which have assisted BPMB in achieving its corporate objectives within an acceptable risk profile and risk appetite.

- Credit is originated and processed by various credit functions under Business Banking whom are accountable for prudent credit business. To enforce prudent credit assessment, Credit Risk function provides independent credit risk assessment for mitigation by the risk owners before the approving authorities consider any credit proposals. Credit Risk function also reviews credit proposals for compliance with credit policies. Only viable credit proposals with well-mitigated risk should be considered for financing, thus minimizing impaired credits.

- All credit proposals are rated using internal credit rating system to assess and measure borrowers' risk of default. BPMB utilizes the rating model that is based on two dimensional rating system that incorporates both borrower's default as well as the facility risk, which focuses on the three components of Risk Weighted Assets (RWA) calculation, namely Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) to generate the Expected Loss (EL) that would provide a high-level overview of a borrower's business credit quality in terms of potential loss amount, given a certain level of probability of default. As a prudent practice, borrowers or projects assigned with a 'high risk' grade will not be considered for credit facilities unless adequate risk mitigations are in place.

- Different levels of approving authorities govern credit approval process according to credit limits. The approval hierarchies that link the authority limits to the amount of credit ensure that credit sanctioning remains a critical part of risk evaluation system.

- As part of the internal control, a team within the Group Audit & Examination (GAE) is tasked to conduct post credit review on approved credits to determine the compliance of the processes involved in credit evaluation and approval. The post credit review (audit) function reports to a committee with audit responsibilities. The establishment of independent post credit review would help to evaluate the overall credit approval and appraisal process, and judge whether the account officer is properly monitoring individual credits.

- Credit disbursement requisition is independently assessed by Compliance function, as a "final gatekeeper" with the objective of ensuring adherence to credit disbursement conditions prior to credit disbursement. Credit Compliance also verifies terms and conditions imposed in the Letter of Offer as approved by the approving authorities. Compliance function also identifies relevant internal and external regulatory and compliance frameworks and translates them into meaningful compliance practice for the business sectors with the objective to minimize exposure to operational risks.

- Risk issues surrounding new financing products are identified from the perspectives of credit risk, market risk and operational risk before being implemented to ensure that all inherent risks could be managed and proper risk management and operational procedures are in place. All product development proposals need endorsement by Risk Management Committee before obtaining approval from the Board.

Credit Preservation

- Credit review is conducted at least once a year and more frequent reviews are performed on high-risk credit under "watch – list" accounts. All credits are to be reviewed on regular basis as per the requirement (annual, half yearly or quarterly basis) depending on classification of credits with the determination on stay, grow or exit strategies. Credit reviews are rated by Credit Risk function to monitor credit risk migration for effective monitoring.

- Early detection and management of vulnerable credit is important to preserve the quality of the loan assets. Regular site visits are carried out as part of the means to detect any early signs of borrowers' operational aspects. Watch-list accounts are reviewed quarterly and half yearly depending on the degree of vulnerability based on the scores established under the internal guidelines. A systematic mechanism for prompt identification / classification of loan / financing is formulated whereby the classification is based on the total scoring assigned to individual borrower.

- The movement of delinquent credits is monitored to gauge the deterioration in credit quality of portfolio that could potentially turn the accounts into impaired status. Poor credit monitoring and lack of follow-ups with the borrower could also result in loan impairment. Close monitoring of repayment is important to ensure that repayment due is collected promptly, without any arrears. Limit on delinquent credits has been established to track delinquent credits on monthly basis. BPMB is advised of the movement of Loan Delinquent Ratio on monthly basis.

- Group Recovery focuses efforts in recovery process to address impaired credits and takes direct control of the impaired credits to expedite and optimize recovery as well as to undertake rehabilitation works. BPMB retains a panel of outside legal firms to provide specialized expertise in the management and recovery of impaired credits.

- Post mortem reviews are conducted on impaired credits to better understand how problem credits developed and to identify lapses in credit and monitoring process, system and people. Observations and findings are communicated as feedback to assist in upgrading credit skills with the objective that past mistakes will not be repeated. Lessons are learned from root-cause analysis and actions are taken to improve credit risk management process. Post mortem review is performed by a team within the Group Audit and Examination (GAE) on significant cases. Analysis would include the issues that contributed to the impaired status of credits as well as non-compliance to any policies, guidelines and procedures.

ii. Credit Portfolio Framework for Managing Credit Portfolio

The identification, measurement, monitoring and controlling of the risk profile of BPMB's credit portfolio are governed by the framework for the management of credit portfolio that have been established by BPMB.

FRAMEWORK FOR MANAGING CREDIT RISK

FRAMEWORK FOR MANAGING CREDIT PORTFOLIO
Concentration Policies
Single Customer Limit
Large Loan Limit
Commercial Lending Sector Limit
Stress Testing
Tolerance Limit of Impaired Credits
Portfolio Reporting

Credit Portfolio Management

- BPMB's guiding principle in its lending activity is to diversify its credit portfolio mix and avoid any undue concentration of credit risk in its credit portfolio. In this regard, BPMB has formalized a set of concentration policies in respect of Single Customer Limit, Large Loan Limit and Commercial Lending Sectoral Limit. Limits pertaining to financing portfolio are established to manage concentration risk. Limits are continuously monitored and any breaches or critical level of exposure will be reported to the relevant committees. Credit Risk function analyses credit portfolio composition and advise Management on BPMB's risk exposure by industry/sector, and monitor the exposure against its established limits.

- BPMB has conducted quarterly integrated stress testing exercise to assess BPMB's ability to withstand the effects of changes in economic conditions that have unfavorable effects on BPMB's credit exposures. As part of monitoring the overall credit risk profiles of credit portfolio, Credit Risk function also performs monthly simulation for potential impaired credits on credit portfolio based on selected scenarios, which include possible downgrading of the accounts to assess the impact on BPMB's earnings and capital. The results of stress tests, risk exposure and risk profile of credit portfolio are deliberated monthly at the relevant committees of BPMB.

- Simulation for impaired credits tolerance level is also carried out to gauge the level of impaired credits that corresponds to the amount of capital losses which would reduce the Risk Weighted Capital Ratio (RWCR) below the Management Action Trigger (MAT). This level of impaired credits would be the tolerance limit to be capped, as breaching it would result in the RWCR falling below MAT. The results of this simulation exercise are captured in the monthly Credit portfolio Report.

- BPMB conducts monthly assessment review of credits on an aggregate basis for each portfolio segment (e.g. by loan/financing types, industry, risk grades).

- Credit Risk function advises on BPMB's risk exposure by providing reports to the risk committees of BPMB on credit growth and sector exposure, risk profile distribution of credit portfolio, quality of loan assets which include impaired credits and delinquent credit movement, stress testing results and effect on BPMB's earnings and capital, tolerance limit of impaired credit and Economic Capital Allocation (ECA) for lending. Reporting of credit risk activities is made to the Executive Risk Management Committee (ERMC) before deliberations at the Risk Management Committee (RMC).

MARKET RISK MANAGEMENT & ASSET LIABILITY MANAGEMENT

Market Risk is defined as the potential loss arising from changes in interest rate, foreign exchange rates, credit spreads, equity prices and commodity prices which could affect the value of financial instruments.

Asset Liability Management (ALM) refers to the coordinated management of BPMB's balance sheet, which includes assets, liabilities and capital. The main focus of ALM is on BPMB's overall performance that can be measured in terms of net income. In turn, the primary determinant of net income will be the overall risk-return position of BPMB.

BPMB's market risk management and ALM objectives are to:

- Ensure an appropriate balance between the level of risk and the level of return desired in order to maximize the return to shareholder's funds.

- Proactively manage BPMB's balance sheet, which includes assets, liabilities and capital in order to maximize earnings and attain its strategic goal within the overall risk/return preferences.

- Ensure prudent management of BPMB's resources to support the growth of BPMB's economic value.

In order to achieve the objectives, BPMB has developed the market risk management framework, which is benchmarked against industry best practices and regulatory requirements. The process of managing market risk and ALM per the framework comprises of four major components which can be summarized as follows:

Process	Methods
• Risk Identification	• Identification of Key Risks
• Risk Measurement	• Earning at Risk (EAR) • Economic Value of Equity (EVE) • Net Open Position • Concentration of Bond Portfolio • Simulation • Stress Testing • Duration/ Modified Duration
• Risk Control	• EAR Limits • EVE Limits • Net Open Position Limits • Mark-to-Market (MTM) • Independent Price Verification
• Risk Reporting	• Key Risk Indicator • Exception Reports

Market Risk Management function develop, implement and maintain a comprehensive framework, policies, procedure and limits related to market risk comprising of both qualitative and quantitative methodologies/ tools to identify, measure, aggregate, manage, monitor, control and report. Limits are set within BPMB's risk appetite and continuously monitored with strict escalation and approval procedures in case at any breach.

BPMB adopts a consistent way of quantifying interest rate risk through analysing the repricing mismatch between rate sensitive assets and rate sensitive liabilities. BPMB also performs simulation analysis to assess the variation in earnings under various rates scenarios (including the increase by 100 basis points shock) from BPMB's pro-forma balance sheet. Taking a more comprehensive view of potential long-term effects of BPMB overall exposure, the impact on economic value is also measured under the increase in interest rate by 200 basis points shock.

Middle Office function within Group Risk Management undertakes the monitoring and oversight process at Group Treasury, which includes reviewing and analysing treasury position and activities, monitoring limit usage and assessing limits adequacy. The main activities in 2011 in managing market risk and ALM are as follows:

- Preparing market risk and ALM reports for submission to the Board and Management Committee.

- Daily risk monitoring of treasury transactions.

- Enhancement on Integrated Stress Testing Methodology.

- Establishment of Market Risk Management Framework and Integrated Stress Testing Framework.

- Review and update all procedures and guidelines related to Market Risk.

LIQUIDITY RISK MANAGEMENT

Liquidity risk arises when a bank is unable to make a timely payment on any of its financial obligations to customers or counterparties in any currency. This may be due to BPMB's inability to liquidate assets or to obtain funding to meet its liquidity needs in a timely manner. The primary categories of liquidity risk are:

• **Funding Liquidity Risk**	Funding liquidity risk is when a bank is unable to meet its financial obligations that arise from withdrawals of deposits, repayments of purchased funds at maturity, extension of credit and working capital needs.
• **Market Liquidity Risk**	Market liquidity risk refers to the inability of a bank to liquidate the outstanding positions in the market at or near the market price due to market disruption. The adverse movement in market conditions could be caused by the change in market psychology or due to a specific event.

The overall Bank's liquidity risk management objectives are to:

- Ensure that BPMB has adequate liquidity resources.
- Avoiding raising funds at premiums.
- Ability to sell its asset without incurring any losses.
- Satisfying statutory liquidity requirements.

In order to ensure that liquidity requirements are identified and adequately managed on an ongoing basis, BPMB has established Liquidity Risk Management Framework. The process of managing liquidity risk per the framework comprises of four major components which can be summarized as follows:

Process	Methods
• Risk Identification	• Liquidity Crisis Early Warning Signal
• Risk Measurement	• New Liquidity Framework • Concentration of Funding Sources • Stress Testing
• Risk Control	• New Liquidity Framework Compliance Requirement • Single Depositors Limit
• Risk Reporting	• Key Risk Indicator • Exception Reports

BPMB uses a range of tools to monitor and limit liquidity risk exposure such as New Liquidity Framework , early warning signals, liquidity indicators and stress testing. The liquidity positions of BPMB is monitored regularly against the establish framework, procedures and limits.

The liquidity management process is based on the contractual and behavioral cash flow assumptions derived from BPMB's assets, liabilities and off balance sheet commitments projected up to one year. This process acts as a monitoring mechanism to ensure that BPMB is not too dependent on a particular source of funding.

BPMB has also developed and maintains a contingency funding plan to provide a systemic approach in handling any unexpected liquidity disruptions. The plan encompasses strategies, decision making authorities, internal and external communication and courses of action to be taken under different liquidity crisis scenarios. BPMB also reviews initiates and implements strategic fund raising programs as well as institutes standby lines with external parties.

OPERATIONAL RISK MANAGEMENT

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

For effective management of operational risks inherent in its operation, BPMB is guided by the Operational Risk Management (ORM) Framework which was developed in line with Basel publications to provide clear, consistent and systematic ORM approach.

BPMB recognizes that continuous review and monitoring of risks and control effectiveness is vital for effective management of operational risk. To facilitate this, tools such as the Risk & Control Self-Assessment (RCSA), Loss Event Data Management (LEDM) and Key Risk Indicators are implemented Group-wide.

The RCSA enables a structured and consistent approach towards identification and assessment of operational risks and controls at the functional, process and product level, conducted by the risk owners i.e. the Business/Support functions.

The LEDM enables reporting and tracking of loss incidents for analytical risk profiling purposes, as well as to facilitate mitigation actions and control enhancements.

For close monitoring of BPMB's key operational risks, a set of risk parameters and trigger limits were developed to provide early warning signal of potential operational risks to allow timely risk avoidance or mitigation actions.

Enhancement of operational risk awareness forms part of the ORM Framework objective towards cultivating a culture that places high priority on effective management of risk, adherence to sound operating controls, ethics and values. BPMB's operational risk management infrastructure, tools and procedures are continuously being improved in line with best practices, for better management of operational risks throughout the Group.

Business Continuity Management (BCM) is an important component of BPMB Group's risk management framework to increase the organization's resilience to business disruption arising from internal and external events and reduce the impact on its business operations, reputation or profitability. BPMB's Business Continuity Management Framework includes the Business Continuity Management policy, the Business Continuity Plan and the Disaster Recovery Plan, which are continuously being updated and tested to ensure BPMB's readiness to respond to disaster/business disruption situations.

SHARIAH GOVERNANCE

BPMB's Islamic banking business is operated on a window basis and governed by Shariah Governance Framework (SGF) which was formulated to enable BPMB to operate its Islamic banking activities in line with Shariah Governance Framework for Islamic Institutions issued by Bank Negara in 2011.

SGF serves as a guide comprising Shariah governance structure, system processes and controls which is managed and monitored by a dedicated Shariah Advisory function of BPMB. The Function works closely with other functions within the Bank to undertake the following processes/programs:-

1. Awareness and communication;
2. Assessment of Shariah compliance;
3. Mitigation and control of Shariah risk; and
4. Monitoring and Reporting.

SHARIAH COMMITTEE

The operation of Islamic banking window is governed by Section 129 (4) of the Development Financial Institutions Act 2002 which stipulates that "the prescribed institution may, in carrying on Islamic banking business or Islamic financial business, seek the advice of the Syariah Advisory Council on the operations of such business in order to ensure that it does not involve any element which is not approved by the religion of Islam". Principle 1 of the Bank Negara's Shariah Governance Framework for Islamic Financial Institutions, stipulates that every bank carrying out Islamic banking business is required to establish a Shariah Committee.

Functions and Responsibilities

The functions and responsibilities of the Shariah Committee are as follows:-

1. To advise management and the Board of Directors on Shariah matters in order to ensure that the Islamic banking operations comply with Shariah principles at all times.
2. To endorse guidelines related to any matters which require compliance to Shariah principles.
3. To endorse and validate that the Islamic products of BPMB comply with Shariah principles in all aspects including:-
    - The terms and conditions and legal documentation used in executing the transactions.
    - The guidelines of the products, schemes and funds offered by BPMB.
4. To advise BPMB to consult the Shariah Advisory Council of Bank Negara Malaysia (SAC) on any Shariah matters which have not been resolved or endorsed by the Shariah Committee.
5. To provide written Shariah opinion(s) in the following circumstances:
    - Where BPMB refers to the SAC for advice; or
    - Where BPMB submits applications to Bank Negara for approval of Islamic products.
6. To provide opinion in the Shariah Committee Report as part of the annual Audited Financial Statements and confirm that BPMB's Islamic banking operations is in compliance with Shariah rules and principles.

Committee Meeting and Attendance

Based on the Terms of Reference of the Shariah Committee, the meeting is to be held a minimum 6 times a year. During the financial year 2011, the Shariah Committee held 6 meetings. The members of the Shariah Committee and their record of attendance are as follows:-

NAME OF SHARIAH COMMITTEE MEMBER	NO OF MEETING AND ATTENDANCE
Tan Sri Dato' Seri (Dr) Hj Harussani bin Hj Zakaria	5/6
Prof Dr Abdul Jalil Bin Borham	6/6
Dr. Ridzwan Bin Ahmad	6/6
Asst. Prof. Dr. Miszairi Bin Sitiris	6/6

During the year, the Shariah Committee deliberated and approved the key framework for BPMB's Islamic banking business i.e Panduan Pematuhan Syarak, with the purpose to provide a comprehensive guide to the Board, Shariah Committee and staff in discharging their duties in matters relating to Shariah.

MOVING FORWARD

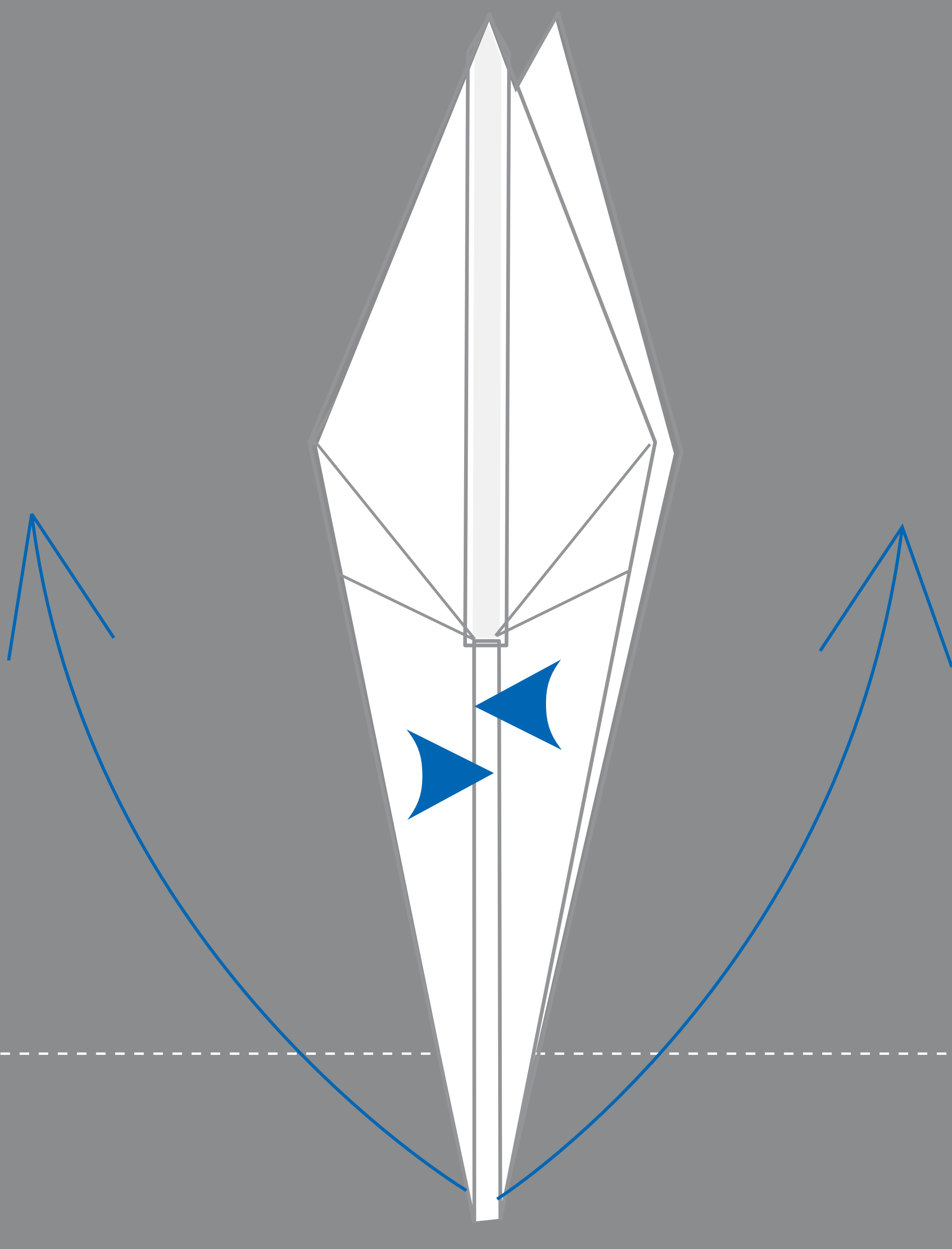
In ensuring BPMB's full compliance to Bank Negara's Shariah Governance Framework for Islamic Institutions, the following key measures have been initiated and targeted to complete in phases before the end of 2012 :-

1. Members of the Shariah Committee will be increased to 5, with the proposed addition of a new member.

2. Shariah Audit will be performed in 2012 as per Audit Plan approved by the Audit and Examination Committee. In view of lack of resources, knowledge and expertise, the audit will be performed via co-sourcing with a consultant for the purpose of knowledge transfer.

3. BPMB Group Shariah Risk Management Framework will be put in place as part of initiative undertaken by Group Risk Management.

   Moving forward, innovation will be key to growing the Islamic banking portfolio, with the development of structured products that conform to Islamic principles, particularly in relation to project financing product which is non-asset based.



PRECISION

Making neater firm sharp creases create high standard finishings to the model, presenting impact and meticulous dynamism to the end product, which reflects on the professionalism of BPMB to focus towards excellence.

RM619 MILLION

12.8%

In the name of Allah, the most Beneficent, the most Merciful.

INTRODUCTION

On behalf of the Board of Directors, it is my great pleasure to present the 38th Annual Report and Audited Financial Statements of Bank Pembangunan Malaysia Berhad (BPMB) and Group for the financial year ended December 31, 2011.

MALAYSIAN ECONOMIC REVIEW FOR 2011

The global economic and financial conditions continued to experience stress in 2011, following heightened concerns over the resolution of the European sovereign debt crisis. Growth in the advanced economies was affected by high unemployment, weak housing markets and fiscal issues, while growth in Asia was affected by weaker external demand. Despite the challenging external environment, the Malaysian economy expanded by 5.1%, with growth being underpinned by domestic demand. The favourable domestic demand conditions were supported by both private and public sector spending.

On the supply side, all economic sectors except mining registered positive growth in 2011.The services sector continued to record a strong growth of 6.8% in 2011. The finance and insurance sub-sector expanded by 5.9%, supported by expansion in bank lending as well as higher growth in insurance premiums. Growth in the real estate and business services sub-sector was lower at 6.3%, as capital market-related activity slowed during the year.

The construction sector expanded by 3.5% during the year, driven by residential and civil engineering sub-sectors. Growth in the residential segment improved amid higher construction activity, especially in the Klang Valley. Higher investment following the continued progress in the construction of major infrastructure projects such as the Seremban - Gemas electrified double-tracking project, the Second Penang Bridge and the Sabah Oil and Gas Terminal, boosted the civil engineering sub-sector. Growth in the non-residential sub-sector continued to be underpinned by the ongoing construction of commercial properties.

Financial stability remained intact throughout 2011, despite persistent uncertainties and challenging external environment. Well-capitalised financial institutions and orderly functioning of the financial markets, continued to provide support for financial intermediation activities in the domestic economy. The banking system exhibited strong performance during the year. Sustained profitability continued to support the capital strength of banks. Liquidity in the banking system remained ample and sufficient to meet the demand for financing and other liquidity obligations. The core capital ratio (CCR) and risk-weighted capital ratio (RWCR) of the banking system were at 12.9% and 14.9% respectively.

The Financial Sector Blueprint 2011-2020 was launched during the year, charting the future direction and initiatives to develop the financial sector to best serve the economy and facilitate the economic growth and transformation over the next ten years. These include initiatives to promote inclusiveness in accessibility to financial services; encourage further development of financial institutions, products and markets that facilitate and drive the development of new domestic sources of growth; and accelerate Malaysia's regional and international connectivity.

2011 FINANCIAL PERFORMANCE

BPMB Group continued to deliver commendable results in 2011 against the backdrop of recovering economy. Profit Before Tax surged 12.8% to RM618.9 million, from RM549.1 million in 2010, despite a 7% decrease in net income to RM1.2 billion in 2011, as overheads and impairment charges registered significant decreases from the previous year. The lower income achieved was partly attributable to lower non-interest income arising from lower charter hire and freight income recorded by Global Maritime Ventures (GMVB) and lower gain from disposal of vessels during the year.

Bank Pembangunan Malaysia Berhad (BPMB)

BPMB recorded Profit Before Tax of RM618.2 million in 2011, chalking up a significant growth of 23% from the previous year. The main contributing factors were higher net interest income due to 5.7% increase in gross loans, advances and financing, underpinned by strong growth in lending to infrastructure sector. The higher Profit Before Tax was also contributed by lower provision for impairment of loans and securities by RM107.2 million from RM467.2 million in 2010.

Shareholders' funds increased to RM7.1 billion as at 31 December 2011, from 2010 position of RM6.9 billion, attributable to the higher retained earnings. As a result, risk-weighted capital ratio (RWCR) strengthened to 35.2% in 2011 from 33.1% the previous year. In accordance with requirements set under BPMB's capital management and dividend policy, a declaration of 3.25% dividend equivalent to RM100.0 million, will be proposed at the Annual General Meeting.

During the year, RAM Ratings has reaffirmed BPMB's long- and short-term financial institution ratings at AAA and P1, respectively. The long-term rating of BPMB's Medium-Term Notes (MTN) Conventional and Islamic Murabahah Programmes has also been reaffirmed at AAA. Both long-term ratings have a stable outlook.

On behalf of the Board of Directors, I would like to express our deepest gratitude to the Ministry of Finance, Bank Negara Malaysia, other ministries and regulators, customers, partners and other stakeholders for their continuous support and guidance. I also wish to express our sincere appreciation to Management and staff of Bank Pembangunan Group for their dedication, commitment and strive for excellence.

Global Maritime Venture Berhad (GMVB)

GMVB's Group financial performance during the financial year ended 31 December 2011 continued to be affected by the global shipping slump. Lower charter hire rates and freight income resulted in the Group having recorded total revenue of RM101.9 million, a decrease of 34% compared to 2010. The unfavourable financial performance was attributable to lower operating revenue largely due to the disposal of four (4) dry bulkers in 2010 with consequential impact being lower overall charter earnings in 2011.

The non-recurrence of other income from disposal of vessels in 2011 was made up by higher share of profit from jointly-controlled entities and associates. Nevertheless, higher operating expenses arising from impairment losses on vessels contributed to GMVB Group registering a loss before tax of RM24.4 million in 2011, as compared to a profit of RM27.7 million in the previous year.

Pembangunan Leasing Corporation Sdn. Bhd. (PLC)

For the financial year ended 31 December 2011, PLC Group recorded commendable growth in Profit Before Tax of 15% to RM50.5 million, increasing from RM43.8 million in the previous year. This was achieved on the back of increases in income and provision written back. As a result, shareholders' funds posted a significant growth of 34% to RM201.5 million from RM150.1 million as at end 2010.

OUTLOOK AND PROSPECT FOR 2012

The global economic prospects for 2012 continue to remain downbeat as uncertainty and vulnerabilities of economies towards financial stress continue to persist. The Malaysian economy is projected to grow at a slower pace of between 4% and 5% in 2012, spurred by domestic demand as the private sector takes over as the driver of growth.

The National Budget 2012 has created significant impact on the construction sector as the Government is serious in attracting investments on all Entry Point Projects (EPP) under the Economic Transformation Programme (ETP) to ensure ample funds for growth. The higher allocation of RM29.8 billion for the economic sector to support the needs of infrastructure will raise the level of construction activities and provide more business opportunities. In 2012, the construction and services sector are expected to contribute 7.0% and 6.5% respectively, to the economy.

Both private and public investments are expected to increase, supported by implementation of projects under the 10MP and ETP, as well as higher capital spending by non-financial public enterprises (NFPEs) such as PETRONAS, Tenaga Nasional Berhad, Telekom Malaysia Berhad, Malaysia Airports Holdings Berhad and Syarikat Prasarana Negara Berhad, via upgrading and capacity expansion programmes.

The domestic infrastructure momentum would be largely sustained from increasing private sector participation via public-private partnerships (PPP) moving into 2012. Major projects include on-going construction of three electrified double-tracking projects which was awarded to MMC-Gamuda and Indian Railway Construction. It is expected that a lot of sizeable projects with regards to the Klang Valley My Rapid Transit (MRT) will be awarded in 2012.

Announcement of these infrastructure projects has created excitement for the industry and will spur spin-off jobs, which will benefit the local construction sector. BPMB Group will continue its role of making financing accessible to industry players and potential investors within its mandate to support the nation's development agenda.

Despite the continuing bleak outlook of the shipping industry, BPMB will maintain its support for the Maritime sector. Financing will focus on vessels that are servicing the offshore oil and gas activities as well as shipyards, particularly those involved in ship repairs and offshore oil and gas fabrication.

While development is important for the improvement of a nation's economy and living standards of its people, the Government is taking steps to ensure that we do not deplete our resources. Thus, Malaysia is committed to adopt renewable energy and green technology, to become one of the leading green nations in the future. In line with the government's aspirations, BPMB will continue to promote green technology via financing under the Green Technology Financing Scheme (GTFS).

ACKNOWLEDGEMENT

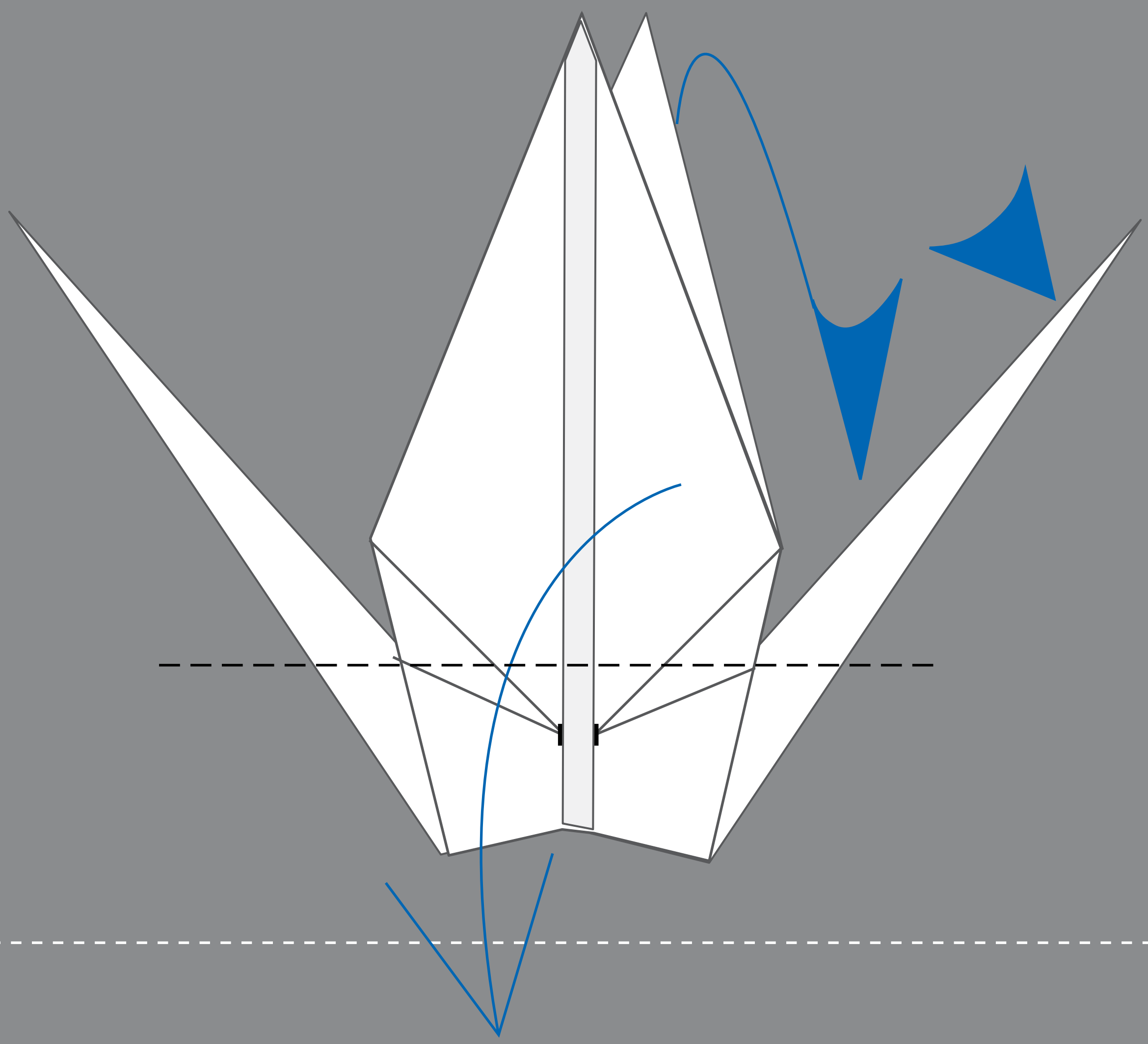
On behalf of the Board of Directors, I would like to express our deepest gratitude to the Ministry of Finance, Bank Negara Malaysia, other ministries and regulators, customers, partners and other stakeholders for their continuous support and guidance. I also wish to express our sincere appreciation to Management and staff of BMPB Group for their dedication, commitment and strive for excellence.

I am privileged to serve as Chairman of the Board of BPMB with effect from 15 September 2011. It is indeed an honour for me to have this opportunity to work together with a team of dedicated Board members whose extensive experience in various fields and industries will greatly contribute to BPMB's effectiveness in executing its mandate. Thank you fellow Board members for your support and contribution. To Encik Abdul Aziz bin Ishak who joined the Board on 29 September 2011, I wish him a warm welcome.

I would like to take this opportunity to record my heartfelt appreciation to Tan Sri Dr. Abdul Samad bin Hj Alias who retired as Chairman of Bank Pembangunan Board of Directors on 1 August 2011. His wisdom and invaluable contribution and advice throughout his 3-year tenure with BPMB will continue to be cherished and deeply missed.

Dato' Mohammed Hussein

Chairman



PROGRESS

Every single model created is a journey that the exponent undergoes, in the steps of mastering new unprecedented techniques that challenges the passion and perseverance of BPMB to be the best in everything we do.

In the name of Allah, the most Beneficent, the most Merciful.

OVERVIEW

The deepening financial crisis and worsening global economic outlook, particularly during the second half of 2011, had affected sentiments in the financial markets. International financial market conditions turned more volatile as markets were affected by continued policy uncertainty and sovereign downgrades of several core Euro countries. Nevertheless the domestic financial markets continued to remain orderly and exhibited strong capacity to intermediate the volatile flows despite heightened investor risk aversion.

Amidst challenges posed by the economic downturn, Bank Pembangunan Malaysia Berhad (BPMB) strengthened its position by focusing on managing risks and costs while continuing to enhance operational excellence.

BETTER FINANCIAL PERFORMANCE

BPMB performed well in 2011, with Profit Before Tax of RM618.2 million recording a significant increase of 23% from RM503.5 million in the previous year.

Net interest income improved by RM23.1 million from RM641.1 million in 2010 to RM664.2 million in 2011, attributable to higher income from loans and advances on the back of 5.7% gross loan growth, largely contributed by loan disbursement to infrastructure projects totaling RM2.9 billion. Out of this, RM2.2 billion was for Government-backed projects, while RM306.2 million was progress payment under Private Finance Initiative (PFI) projects favouring the education sub-sector involving construction of UiTM campuses.

BPMB's balance sheet strengthened further in 2011 with total assets increasing to RM29.6 billion, from RM29.3 billion in the previous year, largely contributed by the moderate loan growth. Gross impaired loans registered RM2.8 billion as at 31 December 2011, compared to RM2.6 billion the previous year, with gross impaired loans ratio slightly higher at 11.3% compared to 11.1% in 2010.

The capital position of BPMB at the end of 2011 continued to be one of the strongest in the industry with shareholders' funds of RM7.1 billion improving by RM182.7 million, resulting in the risk-weighted capital ratio (RWCR) to stand at 35.2% at the end of 2011 as against the banking system average of 14.9%.

CONTINUED EMPHASIS ON MANDATED ROLE

BPMB continued to play a vital role in spearheading the growth of the country's strategic economic sectors with a total loan approval of RM1.7 billion favouring 29 projects in 2012, channeled to its mandated sectors, namely infrastructure, maritime and technology. This represented a decline of 48% from the previous year's approval of RM3.3 billion involving 37 projects, underpinned by lower loan applications received, resulting from the economic slowdown, particularly in the maritime sector.

On the positive side, the year had also witnessed some of the BPMB's traditional customers migrating to commercial banks which were able to offer lower financing rates on account of cheaper cost of funds due to the ability of the banks to tap deposits from current and savings account (CASA). This demonstrated the positive benefits derived by the clients from earlier financial assistance by BPMB during the developmental stage. Indeed, some customers had graduated to a position which enabled them to tap the bonds/sukuk market for their fund raising.

Infrastructure

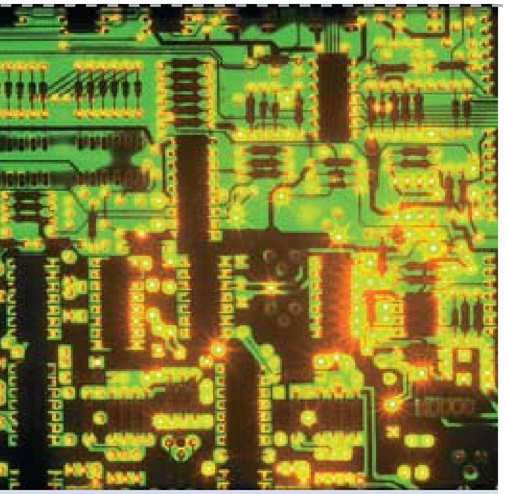
Total loans approved in 2011 for the infrastructure sector amounted to RM902.0 million, involving 16 loans. Within the infrastructure sub-sectors, tourism was the main recipient. The sub-sector received RM598.5 million or 66% of total loans approved to the infrastructure sector. A total of RM282.7 million or 31% was approved for transport sub-sector, which includes integrated terminal and rail projects. The balance of RM20.8 million or 3% was approved favouring the port and water sub-sectors.

Maritime

The year 2011 continued to be a challenging year for the maritime industry. The global economic slump had caused demand for vessels to decline, which consequently lowered freight rates, while the hike in oil prices increased operational costs and reduced operating margins. The plunge in freight rates adversely impacted the income of shipping companies, hence affecting their loan repayment capability. This is especially true for containers and dry bulkers where freight rates had plunged by more than 60% since 2008.

Over the last three years, BPMB's financing exposure to containers and dry bulkers was minimized and the portfolio is now skewed towards offshore support vessels (OSV), smaller size product/chemical tankers, tug boats and barges, which are normally supported by charter contracts. OSV was least affected by the economic slowdown as sub-sea installation and progression projects continued to generate attractive revenue and profit. The offshore oil and gas industry remained resilient during the economic crisis, which had resulted in increasing demand for the OSVs.

During the year under review, a total of RM420.5 million loans to maritime sector were approved. Of this amount, RM260.5 million or 62% was to finance the purchase of three OSVs and the remaining balance of RM160.0 million or 38% was to finance an oil and gas project.



Technology

The global downturn put tremendous pressure on the manufacturing sector which had resulted in lower exports, in particular electronics and electrical products. Nevertheless, BPMB managed to strengthen its presence in the financing of technology sector by recording higher loan approvals in 2011, which accounted for RM328.5 million as compared to RM284.8 million recorded in 2010.

Within the technology sub-sectors, advanced manufacturing was the main recipient. The sub-sector received RM159.7 million or 49% of total loans approved to the technology sector. A total of RM140.8 million or 43% was approved for energy/biomass sub-sector and the balance of RM28.0 million or 8% was approved for waste to wealth sub-sector.

ENHANCED OPERATIONAL EFFICIENCY

Continuous Process Improvement

BPMB's resilience amidst the challenging economic conditions enabled it to sustain performance, fuelled by better capital and balance sheet management as well as progressive enhancement to strengthen technical capabilities and operational excellence.

BPMB had reviewed and streamlined various Management Committees so as to facilitate a more effective decision making process without compromising the prudence and governance aspects. BPMB had also reviewed existing and introduced new policies and guidelines involving credit operations to improve its operational efficiency and governance.

Strengthening risk management continued to be BPMB's focus to ensure risk awareness are embedded in all operational aspects of BPMB and therefore risks are promptly identified, assessed and effectively controlled. In relation thereto, Enterprise Risk Management was further strengthened in 2011 and will continue to be reviewed and enhanced.

To further improve efficiency and productivity, BPMB had implemented a new Enterprise Loan Management System (ELMS) to effectively manage its loan portfolio from origination to full repayment as well as to ensure conformance to new regulatory requirements, financial reporting standards and statutory compliance. The project was awarded to a local vendor after undergoing extensive tender process and proof of concept and was successfully delivered within less than a year.

Another key project embarked by BPMB was Group-wide implementation of existing financial management system, which had been rolled out to both subsidiaries, GMVB and PLC. This was aimed at providing a fully automated and integrated financial management system for effective preparation and reporting of consolidated financial statements.

BPMB had also initiated and successfully rolled out BPMB Enterprise and Knowledge Management Portal, known as i-Access. The portal acts as communication channel and knowledge repository for BPMB Group to reach out to its workforce as part of the big agenda to establish the desired environment towards becoming a knowledge-based organization.

Human Capital Development

Human capital development is viewed as critical in ensuring the achievement of BPMB's short and long term goals, especially in the fast moving, knowledge-based financial services industry where human capital can provide the competitive edge.

With the onset of globalization and financial liberalization, the traditional lines of business are likely to expand into new areas and business models. As a consequence, competency requirements have also evolved with the growing diversity and complexity of businesses. Thus, BPMB will continue to undertake talent management programmes, with the objective to enhance and retain existing talents as well as develop and attract new talents and create expertise in the niche areas of infrastructure, maritime and technology.

With the required expertise and knowledge, staff will be able to assist potential borrowers in enhancing the viability of projects proposed and advise them on the optimal and effective financing structure to fund their business. This will enable BPMB to be more proactive in managing risks associated with the financing and play an enhanced developmental role overall.

MOVING FORWARD

The full effect of global financial crisis is expected to be felt in 2012 and prolong until 2013. All indicators show that the Euro economy is not going to recover in the next two years as it will take a turnaround in its financial market for the economy to show signs of recovery. Thus, the Malaysian economy is expected to expand moderately, with real GDP to grow by 4% to 5%, supported by stronger domestic demand, driven mainly by private sector. The Government development expenditure during the year will continue to be channeled towards improving the economic and social sectors. The implementation of various projects under the Economic Transformation Programme (ETP) will also be accelerated in 2012. These Government initiatives certainly offer wider opportunities for BPMB to tap into and contribute further towards fulfilling its mandated role.

The priority for 2012 will be to focus on strengthening BPMB's capabilities and competitiveness that would contribute to an increase in quality loan portfolio and hence, the sustainability of the Group. At the same time, concerted efforts will be channeled towards competency development within BPMB, to enable a more expedient service delivery, effective advisory services as well as better risk management.

Dato' Zafer Hashim

President / Group Managing Director

Infrastructure Financing and PFI

Infrastructure financing is centered on area development, utilities, transportation, road/highway, ports, tourism as well as community / social and public services.

Due to the long gestation period of the project, infrastructure loans generally have long tenure and a grace period of 3 years is usually given to customers.

Types of Financing

i. Project Finance

ii. Deferred Payment Scheme

iii. Private Finance Initiatives

i. Project Finance ("PF")

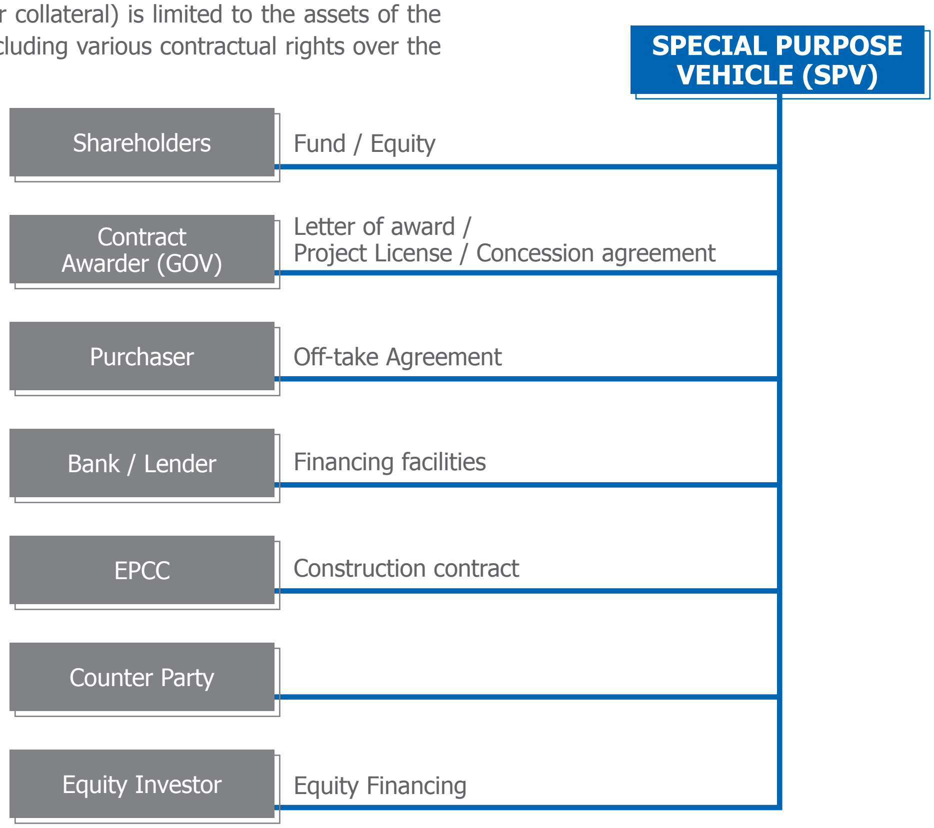
"Project finance" is a form of financing designed for specific project, and has two major characteristics:

- the repayment source is cash-flow generated primarily (and sometimes solely) by the project, and
- security (or collateral) is limited to the assets of the project, including various contractual rights over the project.

Characteristics of PF

- A financing vehicle for single asset project
- Capital intensive and highly leverage
- Special purpose status that severely limits activities
- Long term project
- Non-Recourse/Bankruptcy remote project company
- Source of repayment based on cash flow
- Many parties involved
- Allocated risk
- Where management has limited discretion concerning amortization of debt and use of cashflow

Project Finance Structure



Examples of PF Projects financed through BPMB

- Rail Project
- Highway Project
- Port Project
- Area Development Project
- Flood Mitigation Project

Project Background

Rail Project
The project is the development and operation of Express Rail Link and Commuter Rail Service ("ERL-CRS") for a total length of 57 km from Kuala Lumpur Sentral Station ("KLSS") to Kuala Lumpur International Airport ("KLIA") on a privatization basis. Under the Concession Agreement ("CA"), ERL-CRS is privatized for a concession period of 30 years with the option to extend for a further period of 30 years.
Highway Project
Privatisation of an expressway on build, operate and transfer ("BOT") basis for a concession period of 40 years with a total length of approximately 51.2 km.
Port Project
Incorporated to undertake and develop an international transhipment container port under a 30 + 30 year-concession period ending 23 March 2055. The master plan for the port contains five phases, extending to the year 2020. The total development will embrace a full range of facilities from container to liquid, dry bulk and conventional cargo.
Area Redevelopment Project
Responsible to plan, design and prepare primary infrastructure for the Cyberjaya Flagship Zone (CFZ). The area covers 7,000 acres of freehold land consisting of four main zones known as enterprise, commercial, institutional and residential. Each zone is fully equipped with a host of intelligent network services and interactive broadband services.
Flood Mitigation Project
Construction of a 9.7km storm water bypass tunnel to alleviate floods in Kuala Lumpur and a 3km double deck motorway with a 2 lane carriageway within a section of the tunnel, aimed at relieving congestion in the southern gateway to Kuala Lumpur.

ii. Deferred Payment Scheme ("DPS")

- On 6 September 2000, BPMB has been appointed by the Government as the sole financier for Deferred Payment projects under Federal Government.
- The objective is to finance infrastructure construction projects awarded by the Federal Government to contractor on deferred payment basis.
- Under the Scheme, the Government will defer the payment to the contractor until the project is fully completed.
- As at to date, a total of 29 projects have been financed by BPMB under the DPS.
- The objective of DPS is to lessen the financial burden of the Government through deferment of the contract payment until the project is fully completed in order to spur the Malaysian economy.
- By structuring the relevant financing package accordingly to match with the completion period of the project.
- All companies that have been awarded construction contract by the Federal Government under the DPS are eligible under the scheme.
- Applicable only for infrastructure projects under the Federal Government.

Examples of DPS financed through BPMB

i. Double Tracking Rail Project

ii. Flood Mitigation Project

iii. Road Project

Project Background

Double Tracking Rail Project
To undertake the Design, Construction, Completion, Testing, Commissioning and Maintenance of 329 km of the Electrified Double Track Project.
Flood Mitigation Project
Contract with the Federal Government of Malaysia to design, construct and complete the Flood Mitigation Project.
Road Project
A Special Purpose Vehicle ("SPV") company to undertake a 145 km road construction project.

iii. Private Finance Initiatives (PFI)

Characteristics of PFI

The original motive for the PFI was a combination of public expenditure pressures and procurement problems in the early 1990s. To avoid large borrowing, PFI offers solution by transferring the capital expenditure from public to private sectors or else, the other only alternative would have been to raise taxes.

- The private finance initiative (PFI) is one of a range of government policies designed to increase private sector involvement in the provision of public services. A simple understanding of the PFI is that it allows private sector involvement in the public sector particularly in the provision of long term asset-based services.

- It is a form of public private partnership (PPP) that marries public procurement programme, and particularly relevant for capital-intensive services. It transforms local authorities from being the owners and operators of assets to the purchasers of services.

- The aim of introducing the PFI was to achieve closer partnerships between the public and private sectors at both central government and local authority levels, and to get them involved in the provision of public assets and services.

- The involvement of the private sector in more than just the construction phase of a procurement means benefits could be gained from harnessing its expertise, such as improved project cost estimation, whole-of-life asset management, risk management and the provision of infrastructure maintenance services.

- However, the main benefit expected from PFI is risk transfer, and the incentive for the private sector to supply cost effective and higher quality service on time. In other words, risk and reward go hand in hand. PFI suppliers only start to receive their service payments when a flow of 'services' begins. A continued payment is then linked to specified performance criteria.

Two key principles of the PFI :

- To achieve a genuine transfer of risk to the private sector in public procurement project.

- To secure value for money in the use of public resources.

Why PFI ?

PFI deals offer public sector a structured way in delivering public projects. It is flexible, versatile and most of the time effective although it is not appropriate for every project

- Around the world governments are facing the same dilemma, which is how to meet the rising expectations for better public services (both for social and infrastructure) and at the same time keeping the public expenditure down. It is a dilemma that in the past might have been solved by cutting public spending. Then the PFI emerged to solve the dilemma.

- The major objective of PFI is to fulfill the need to invest in new and ageing infrastructure when no fund is available. PFI offers solution and pass the responsibilities of designing, building, financing and operating the infrastructure to the private sector.

- Historically, major infrastructure projects built by public sector had a poor record of keeping within the timeline and budgetary constraints. Thus PFI was seen as a way of incentivizing high quality services and providing greater certainty (using private sector management skills).

- PFI enables government to acquire new infrastructure today but delay and stage payments over the next 30 years or more. Moreover, the debt required to finance PFI is treated as 'off balance sheet' and this enable the government to maintain the pretense that that they are not increasing the national debt.

- In theory, PFI is not an alternative source of funding for public sector expenditure despite it is not shown in the government's 'balance sheet'. Non-recourse project financing was developed in the oil & gas industry to fund projects off balance sheet. The practice of a government granting a concession to a private sector operator has been implemented for so long. Yet, countries around the world are either just embarking on or considering a PFI in the last few years.

- The concept is constantly under close scrutiny from its opponents and detractors. But even in the face of strong opposition the resolve to use PFI seems undiminished. PFI remains a controversial means of procuring public sector facilities and official figures show it has steadily out-performed the traditional procurement methods.

- There is widespread and continuous public disquiet with the idea of public services being run by the private sector. Perhaps one of the most difficult things to do is to think in terms of outputs rather than inputs, and that requires a real change of mind-set.

BPMB's involvement in PFI projets are in the following sectors:

i. Education Project

ii. Health

iii. Services

To date, BPMB has granted total approval of RM1.25 billion to PFI projects.

Financier's key considerations for a successful PFI

Participants	Key considerations
Government and implementing agencies	• Well-defined PFI project with clear output specifications • Transparent concession and award process • Commitment and support • Assured demand/utilization of the service or infrastructure to be generated by the PFI • Stable political environment
Private sector: developers/promoters and operators	• Experienced private sector developers/promoters and operators • Availability of equity funding • Alternative operators are readily available to take over and operate the project in the event of lender step in • Incentive

Under the PFI method, BPMB has participated in financing five out of six Universiti Teknologi Mara (UiTM) branch campuses as announced by the Government during the 2010 National Budget. The total of RM1.25 billion financing approval has benefited UiTM branches in Kota Samarahan (Sarawak), Seremban 3 (Negeri Sembilan), Tapah (Perak), Pasir Gudang (Johor) and Jasin (Melaka). As at the end of December 2011, all five projects are ahead of schedule and making good progress with construction achievement ranging from 14%-30%.

BPMB will continue its efforts to finance more PFI projects in the future. The coming up PFI projects which are expected to obtain their concession agreement in year 2012 pending negotiation with the Government are UiTM branch campuses in Dengkil (Selangor) and Raub (Pahang) and UiTM Training Centre in Nilai (Negeri Sembilan).

INDUSTRY OVERVIEW

The First Oil Well

Malaysia's first oil well was discovered by Shell on Canada Hill in Miri, Sarawak in 1910. Shell's Miri No. 1 was spudded on 10 August in the same year, and began producing 83 barrels per day (bbls/d) in December 1910. Today the oil well, fondly known as the Grand Old Lady, is a state monument.

Although the Miri field ultimately produced approximately 80 million barrels of oil, pre-World War II production was limited. It reached 15,000 bbls/d in 1929 and then declined, as the oil fields were seriously damaged by scorched earth policies and bombings during the war.

There were no other drilling activities elsewhere in Borneo or Peninsular Malaya until the 1950s.

Petroleum activities in Borneo expanded markedly in 1960s with the discovery and development of offshore fields, and Shell initially was the major player, followed by Esso and they both dominated the upstream production, downstream refining and sales.

In the late 1960s, foreign petroleum companies also turned to offshore Peninsula Malaysia and then Esso and Conoco received concession for oil and gas off the east coast of the Peninsula.

By the time PETRONAS came into being, four of the nineteen oil fields in Malaysia that had been discovered were in production producing 90,000 to 99,000 bbls/d.

The National Oil Company

Due to several powerful economic and political forces, coupled with growing economic nationalism in Malaysia culminating in the New Economic Policy (NEP), PETRONAS was incorporated in 1974 under the 1965 Companies Act.

PETRONAS reflected itself as a commercial enterprise with the goal of making a profit, taxed like any other major oil company and given unopposed control over the nation's petroleum resources.

PETRONAS received its power from the 1974 Petroleum Development Act, a piece of legislation that granted PETRONAS ownership and exclusive rights and powers over Malaysia's hydrocarbon resources and comes under direct purview of the Prime Minister.

Today, PETRONAS is one of the driving forces behind the Malaysian economy, and its importance as a source of government revenue has grown enormously ever since.

Malaysia Oil & Gas Reservoir

Malaysia's continental shelf is made up of six major sedimentary basins, geologically favourable conditions for the creation of hydrocarbons, which is petroleum and natural gas.

The six basins are grouped into three main regions:

- Peninsular Malaysia: Malay Basin in the offshore east covers more than 12,000 metres; and Penyu Basin in the south covers an area of 5,000 square kilometers.
- Sarawak: Sarawak Basin with seven geological provinces.
- Sabah: Sabah Basin, Northeast Sabah Basin and Southeast Sabah Basin, a prolific deepwater discoveries.

Malaysia Oil & Gas Exploration

Malaysia has approximately 615,100 square kilometers of acreages available for O&G explorations.

Of these, 218,678 square kilometers or 36% of the total acreages are currently covered by Production Sharing Contract (PSC).

Exploration drilling by the PSCs has resulted in the discovery of 163 oil fields and 216 gas fields.

Many significant discoveries were made in shelfal shallow waters as well as in deepwater environments.

The first deepwater oil discoveries was by Murphy Oil in 2002, the 440 million barrels Kikeh area, lies in around 1,340 metres in offshore Sabah.

In addition to the deepwater blocks in offshore Sabah, there is also no shortage of promising marginal fields for development as PETRONAS is also stepping up efforts to pursue necessary cost-efficient solutions for small field development.

Although the total number of wells drilled per annum decreased during 1990s, the proportion of wells drilled by PETRONAS Carigali (PCSB) increased, attributed to the desire of PETRONAS to prove up reserve.

In terms of licensing, over 50 new licenses have been signed since 1996, as a number of new companies have entered the Malaysian upstream arena, which has increased the level of diversity of operatorship.

Malaysia Oil & Gas Activities

	ACTIVITIES	DESCRIPTION
UP-STREAM	FIELD EXPLORATION, DEVELOPMENT & PRODUCTION	• All petroleum resources of Malaysia are regulated by Petroleum Management Unit, PETRONAS through the Petroleum Development Act 1995. • PETRONAS enters into Production Sharing Contract (PSC) with other petroleum companies to explore and develop resources; there are about 70 PSC contractors in Malaysia including PETRONAS Carigali Sdn BHD (PCSB), Esso Production Malaysia, Shell Sabah Selatan, Lundin Malaysia, Sarawak Shell Berhad, Sante Fe Energy, Nippon Oil, Amareda Hess, Murphy Sarawak, Mobil, JAPEX, NORSK Hydro, Mitsubishi Corp, Petrofac, Newfields, Talisman, ConocoPhillips, are among the major players. Method of investment: • These players normally require a massive investment for the development and production activities; and raising the capital can be a big challenge. • As debt finance usually depends on guaranteed revenue, it is only considered as a funding option once reserves are proven and production has commenced. • Therefore, equity finance is usually the most viable option of funding due to the inherent risks associated with drilling and exploration activities.

	ACTIVITIES	DESCRIPTION
MIDSTREAM	TRANSPORTATION (PIPELINES & TANKERS)	• Activities range from the transportation and logistic of O&G; such as transporting oil and gas from the location of production to the location where it is needed and / or will be processed. • PETRONAS is just another player similar to other oil companies operating in Malaysia, however most of the pipeline, transportation and other logistic assets are mainly controlled by PETRONAS. Method of investment: • Mainly financed through debt and commercial/syndicated loans e.g. pipeline projects are typically too big to be developed or financed by one project sponsor or lender. • Sometimes pipeline projects are considered to have national strategic importance, and therefore will often be promoted partly or wholly by a state-owned company e.g. PETRONAS, which will influence decision for the source of funding. • However, this sector is also drawing private equity investors because midstream operations can generate steady, long-term cash flow from the contract agreement, which facilitates debt financing.
DOWNSTREAM	TERMINAL/ REGASIFICATION	• Activities range from refining and processing to marketing and trading of end products such as gasoline, jet fuel and diesel. • There are two major integrated petrochemical zones established in Kerteh Terengganu and Gebeng Pahang; and have attracted foreign investments mainly from the USA (Dow Chemical), Germany (BASF) and Japan (Idemitsu), complementing investments from PETRONAS. • Besides PETRONAS, there are also other refineries operated by Shell and ExxonMobil. Method of investment: • This sector has been dominated by oil majors both as project sponsors and as operator, therefore their experience, large balance sheets and access to markets allow them to underpin construction and off-take large financing undertakings. • However, there are also new and significantly smaller entrants which lack of track record and financial strength and face tremendous challenge in mobilizing financing.

Production Sharing Contract (PSC)

In the early 1970s, several countries were moving from the traditional concessions approach to PSCs, including Abu Dhabi, Egypt and perhaps most importantly, neighbouring Indonesia.

In the formative years of PETRONAS, there was close association between heads of PETRONAS and the Indonesian oil company, Pertamina and it offered technical assistance and other counsel to Kuala Lumpur.

Given these conditions and advice, PSC appeared considerably more favourable to the Malaysian leadership than the concession system. The first PSC was signed with Shell in 1976.

PETRONAS as a regulator award PSC to a number of international O&G companies, including to its wholly owned E&P subsidiary, PETRONAS Carigali Sdn Bhd (PCSB).

Under current PSC terms, PCSB has the right to carry interest in any exploration block, though the interest is negotiable but usually varies between 15% and 25%. Once a commercial discovery has been made PCSB becomes a working partner in any development.

PSC obligates the PSC contractors to provide all the financing and bear all the risk of exploration, development and production activities in exchange for a share of the total production.

Currently there are 4 types of PSC exploration,

1) Revenue-Over-Cost PSC for water depth below 200 metre,
2) Deepwater PSC for water depth between 200 metre to 1000 metre,
3) Ultra Deepwater PSC for water depth beyond 1000 metre, and
4) High Pressure High Temperature PSC.

To date, there are more than 70 PSCs with various companies participating in the exploration, development and production of O&G in Malaysia.

However, PCSB, Shell and ExxonMobil dominate the Malaysian E&P with 43%, 22% and 16% respectively, thus making up more than 80% of Malaysia total production.

PETRONAS New Exploration Strategy

PETRONAS change in strategy will benefit local players across the value chains

PETRONAS is realigning its strategy to trim overseas exploration and ramp up domestic reserves via more exploration, development and production work to cater for the growing local demand.

The domestic oil exploration would see PETRONAS drill deeper for oil and gas in the shallow waters of Malaysia, increase the amount of oil it pumps out from existing wells in the country, focus more at niche technology as well as reviewing new partners.

Most of PETRONAS' international exploration activities abroad have not matched expectations and PETRONAS has decided to focus more on Malaysia in order to have a more balanced investment portfolio between foreign and domestic portion.

In addition to that, PETRONAS will emphasize greatly on domestic deepwater and unconventional plays to arrest domestic production declining.

By diverting investment from international activities towards domestic exploration and production, PETRONAS could help to prove up additional oil and gas reserve, which has been decreasing steadily.

Cabotage Policy & Local Content's impact on OSV'S

On 1 January 1980, the Malaysian Government introduced the country's cabotage policy, which reserves domestic shipping to Malaysian registered vessels; this also applies to O&G OSB vessels since all of Malaysia's O&G fields are located offshore of Malaysian territorial waters or in the exclusive economic zone.

The rule was formed to award domestic oil services contracts to domestic players where local crews and local-flagged vessels would be given priority in the contracts over the foreign vessels.

On the local content, PETRONAS requires the PSC contractors to comply with the national objective of maximizing Malaysian participation in the use of local equipment, facilities, goods, materials, supplies and services in petroleum operations.

Priority must be given to Malaysian registered companies in their procurement of supplies and services in any tender exercise; a contract will be awarded to a foreign registered only if there are no Malaysian registered available to perform the required services.

Therefore, companies that wish to participate in any business or service to supply equipment, facilities and services to the upstream O&G activities must obtain a license from PETRONAS and fulfill all the requirements specified.

The above regulations are meant to encourage domestic participation as well as to protect the interests of domestic players.

UP-STREAM ACTIVITIES DURING LIFE CYCLE

	Exploration	Field Development	Production	Abandonment
Production Facilities & Structure e.g. rigs/platforms/jackets etc.	√	√	√	n/a
Subsea system	√	√	√	√
Offshore Support Vessels	√	√	√	√
Fabricators	Involve in fabricating the structure as per field requirement			

Oil & Gas Project Value Chains : EPCICO

After a project award, the project manager (i.e. field operator, facilities owner, fabricators) develops a project costing and project execution plan that includes plans for risk management, resource management, schedule management, procurement and subcontracting, scope management and quality management

Engineering	Procurement	Construction	Installation	Commissioning	Operations
Develop engineering design based on the specifications and requirements of the clients.	After the requisition details are produced, procurement and sub-contracting/ sourcing activities take place; follows by the delivery of material procured.	Construction and fabrication activities commence such as welding, painting, nondestructive testing, hydro-testing, cleaning and flushing, heat treatment, reinstatement test and installation.	Load out and installation of the facility structures and equipments at its intended location, together with integration to other systems and facilities (if any).	Activities such as hook-up of the facilities either onshore or offshore; to verify the functionality of the equipment and to ensure it operates in accordance with project requirements.	Once all systems are commissioned and accepted by the owner/ operator, the equipment is ready to operate for production.

Responsibility					
Field Operator/Facilities Owner, Fabricator				Field Operator/Facilities Owner	
Timeframe					
24-48 months depending on the type of facilities, project requirements and complexity			6-12 months		15-25 years
Offshore Support Vessel Requirements					
n/a	n/a	n/a	Yes	Yes	Yes

	Domestics	International	Activities	FI
Field Operators	PETRONAS and PSC Contractors	Block/Field Operators	• Field exploration, development and production activities • Lease/own facilities	√
Facilities Owner	MISC, M3nergy, Bumi Armada, Tanjung Offshore	SBM Offshore, Modec, Bluewater, Aker Floating Solution, BW Offshore	• Acquire tanker for conversion if the client require Floating Production Storage and Offloading (FPSO/FSO) ship shape solution • Payment to fabricators to construct the facilities	√
Fabricators	MMHE, Ramunia, Boustead, Sime, Kencana, Oilfab	Keppel, CNOOC, SembCorp, J.Ray McDermott, Hyundai, SHI,	• Receive award for facilities fabrication, conversion or refurbishment • Procure materials and sub-contracting works	√
Support Service Providers	SapuraCrest, Petra Perdana, Alam Maritim, Tanjung Offshore, Jasa Merin, Sealink	CH Offshore, Swiber, Ezion, Ezra, Great Offshore, Jaya, Mermaid Maritime, Otto Marine	• Charter out support services to field operators and increase asset/fleet base to satisfy new charter contracts via asset acquisition or new building	√

Production Facilities

Malaysia has the third largest proven oil reserve in the region and there are 6 out of 7 major deepwater projects that will require floating production facilities to be installed over the next 3-5 years.

In addition, there are 16 additional deepwater O&G fields that have been discovered in deepwater offshore Malaysia that have the potential for floating production facilities.

There have been a further 2 discoveries in Brunei operated by Shell, that could also potentially contribute to demand.

Heavy Engineering/Fabrication Yard

The focus on developing deepwater fields in Malaysian waters, would increase demand for Malaysian maintenance and fabrication works.

PETRONAS expects to construct 60-65 new platforms over the period of 2010-15, driven mainly by new deepwater fields coming on stream.

The licensed domestic players are well positioned to capitalize on PETRONAS' future projects to develop deepwater fields in Malaysia, but not all of them have the experience and /or the capability to carry out more complex and sophisticated projects; to date only MMHE has the deepwater experience through FPSO Kikeh Project, Kikeh SPAR, and the ongoing Gumusut-Kakap Semi-Sub Project.

OSV Services

PETRONAS forecasted to require 60-65 support vessels starting in 2011-2012 and its expectation of building 60-65 new O&G platforms in Malaysia in the next 5 years would create an upside in demand for support services.

Industry analysts foresee a favourable demand dynamics for the ASEAN region and the charter rates expected to improve as PETRONAS plans to accelerate its E&P programmes in deepwater after being deferred during the recent financial crisis.

For support vessels services, PETRONAS and PSC contractors favour new and sophisticated vessels in order to minimize downtime; thus domestic players are expected to benefit from the scenario.

In addition, local support vessel players expect a bullish market outlook and stronger rates in the region on the back of strong enquiries from India, Thailand and Australia.

UP-STREAM PROJECTS

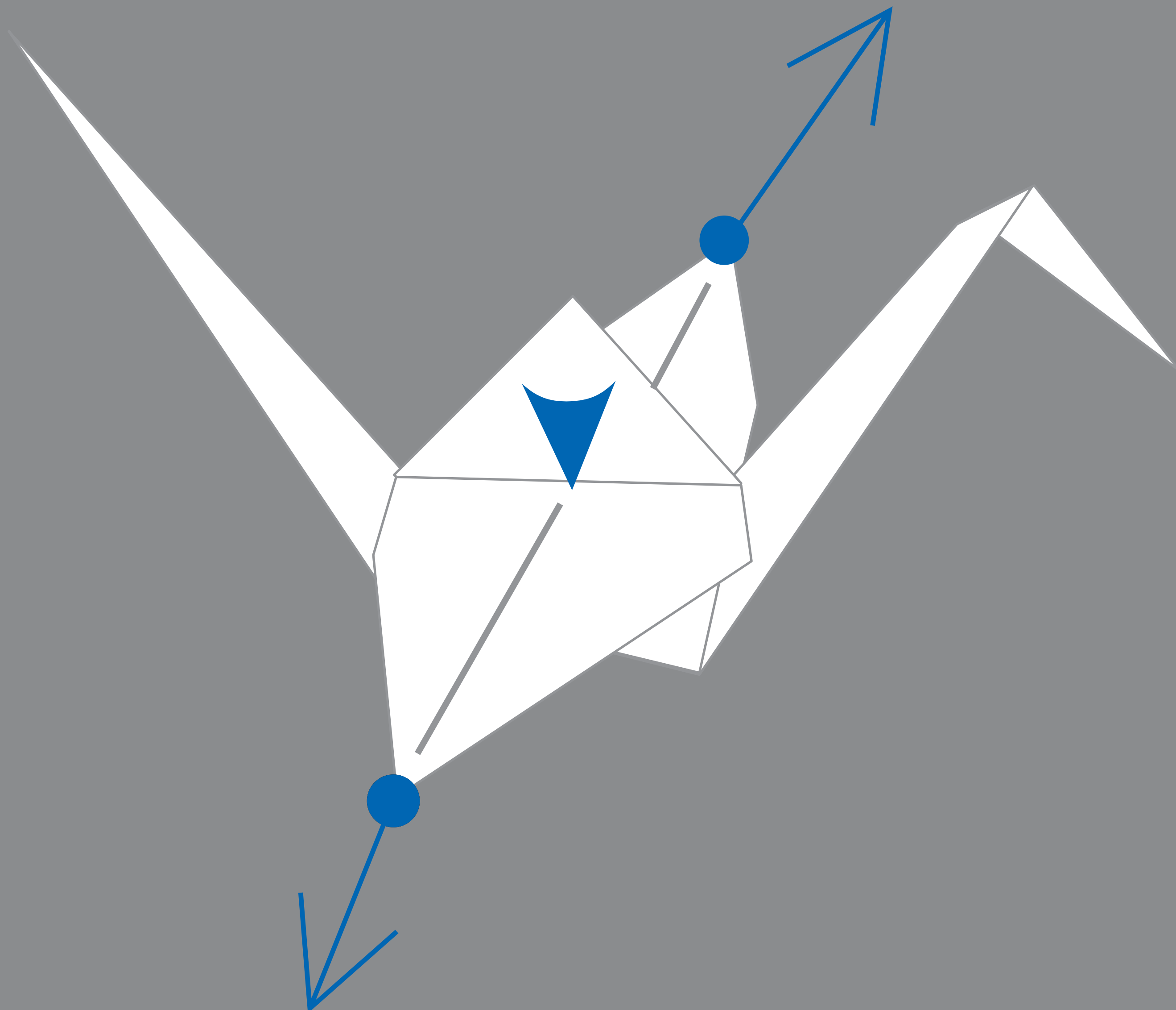
Project / Oil and Gas company	Scope of Work	Location
Petronas Carigali's North Malay gas project- fast track basis	Central processing platform, 8 well head platform, 200km pipeline	North Malay Basin
ExxonMobil enhanced oil recovery	Central processing platform, gas compression system, process equipment, MPOU, tender rigs and offshore vessels.	Rejuvenation of Seligi, Guntong, Tapis, Semangkok, Irong Barat, Tabu and palas oilfields of Peninsular, Sabah and Sarawak
Shell Malaysia	Central processing platform and platform upgrades	Baram Delta, off Sarawak and North Sabah
Shell deepwater Malikai project	Fabrication of tension leg platform and installation of pipelines	Malikai field, Sabah
Murphy oil	Floating liquefied natural gas carrier	Rotan, off Sabah
Petronas Carigali	3 Central processing platforms	Dulang , Semarang, Bokor
Petronas umbrella tender for shallow water jobs	Topside maintenance and marine spread	Peninsula, Sabah & Sarawak
ExxonMobil enhanced oil recovery	Fabrication of platform, topsides, processing units for shallow water fields	Rejuvenation of Teluk gas development off Terengganu
Marine Charters	AHTS charters for shallow waters	Offshore Malaysia

CONCLUSION

Malaysia's oil, gas & energy sector is expected to register an annual growth of 5% from 2010 to 2020; this should present huge potentials and create favourable environment to the industry player. With the cabotage policy in place, local OSV players are set to enjoy stable demand and new flow of contracts award.

Moving forward, the domestic credit outlook expected to be stable in light of committed investment by PETRONAS and oil majors in the domestic exploration activity. This definitely would also create significant upside for the investors as well as demand for oilfield support services.

Conducive fund-raising conditions and a brighter economic outlook will encourage industry players to seek additional funding to fuel their growths; the current condition has a favourable view on support services for oil and gas sector, the upside remains on the companies operating predominantly in Malaysia and set to enjoy stable demand as PETRONAS and PSC contractors has reaffirmed their upstream commitments up to 2012.



POSITION

A masterpiece is recognised on the merit of it's pioneering individuality, form and function that takes BPMB above new levels of outstanding effort and one that soars toward natural artistic creations and innovation.

1. 27 January 2011

BPMB donated computers to the At-Tamimi International School as part of its Corporate Responsibility program.

2. 19 February 2011

Exchange of agreement document between BPMB and YBK Usahasama Sdn. Bhd.

3. 27 February 2011

Bowling with Members of the Media at Sunway Megalanes, Sunway Pyramid.

4. 3 March 2011

Signing ceremony between BPMB and The National Union of Commercial Workers (NUCW).

5. 5 April 2011

BPMB donated to the tsunami victims in Japan.

6. 7 April 2011

The launch of BPMB's corporate responsibility branding – Tabung Tazkiah Al-Amwal.

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7. 7 April 2011

Bandar Wawasan Blood Donation Campaign, held at Menara BPMB.

8. 7 May 2011

Labour Day rally at Bukit Jalil National Stadium.

9. 14 May 2011

BPMB participated in the ADFIM Sports Meet 2011.

10. 15 May 2011

Go-Kart Challenge between Team BPMB and members of the Media.

11. 28 May 2011

Charity Treasure Hunt from Bandar Wawasan, Kuala Lumpur to Suria Cherating Resort, Kuantan.

12. 10 June 2011

BPMB donated to the landslide victims - Madrasah Al-Taqwa Orphanage.

13. 17 June 2011

Tenants and employees of Menara BPMB enjoying the Durian Feast held at Menara BPMB.

14. 22 June 2011

BPMB donated computers to Sekolah Rendah Sri Medan, Batu Pahat, Johor.

15. 1 July 2011

BPMB appointed as administrator for the Facilitation Fund by the Government through the Unit Kerjasama Awam Swasta (UKAS).

16. 2 – 4 July 2011

Corporate Responsibility (CR) program at Kampung Baru Pulau Redang, Terengganu and the Turtle and Marine Ecosystem Center (TUMEC), Pantai Geliga, Kemaman.

17. 20 – 21 July 2011

BPMB participated in the "Memacu Agenda Bumiputera" exhibition organized by Unit Peneraju Agenda Bumiputera (Teraju) at the Kuala Lumpur Convention Centre.

18. 26 July 2011

Group Human Resource Development organized "Hari Bersama Staf".


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19. 28 July 2011

The launch of Enterprise Loan Management System (ELMS).

20. 28 July 2011

Appreciation dinner for Tan Sri Datuk Dr. Samad Haji Alias Hilton Hotel, Kuala Lumpur.

21. 29 – 31 July 2011

'Open Heart' program at Nur Lembah Pangsun, Hulu Langat Selangor.

22. 6 August – 1 September 2011.

BPMB's philanthropy activity during Ramadhan.

23. 13 August 2011

"Buka Puasa" with the congregation of Yayasan Al-Jenderami, Jenderam, Selangor.

24. 18 August 2011

"Buka Puasa" with the orphans at Menara Bank Pembangunan.

25. 23 August 2011

"Buka Puasa" with the students/ residents of Sekolah Tunas Bakti, Sungai Besi, Kuala Lumpur.

26. 7 – 10 September 2011

BPMB participated in the International Greentech & Eco Product Exhibition & Conference Malaysia held at the Kuala Lumpur Convention Centre.

27. 15 September 2011

The appointment of Dato' Mohammed Hussein as BPMB's new Chairman.

28. 23 September 2011

BPMB's Hari Raya open house, held at Concorde Hotel, Kuala Lumpur.

29. 27 September 2011

"Syoknya Beraya Dikampung", the staff's Hari Raya celebration held at Menara Bank Pembangunan.

30. 29 September 2011

The appointment of Encik Abdul Aziz Ishak as BPMB's new Independent Non-Executive Director.

31. 20 October 2011

Visit from delegates: Association of African Development Finance Institutions (AADFI) and Agro Bank.

32. 18 – 20 November 2011

BN Youth Job Fair held at Putra World Trade Centre, Kuala Lumpur.

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33. 19 – 20 November 2011

Endurance activities and CR program held in conjunction with BPMB's 38th Anniversary.

34. 23 November 2011

BPMB's Annual Dinner, at Hilton Sentral, Kuala Lumpur.

35. 26 November 2011

ADFIM bowling tournament at Wangsa Bowl, Wangsa Walk.

36. 21 December 2011

Zakat contribution to all the official Zakat Centres throughout the country.

37. 3 – 4 December 2011

Mount Kinabalu Challenge - 40 staff and members of BPMB's Sports Club conquered the mountain successfully.

38. 4 December 2011

CR Program at Sekolah Menengah Kebangsaan Pekan Telipok, Tuaran, Sabah.

39. 8 December 2011

BPMB as the main sponsor - United Buddy Bears World Tour 2011/2012.

40. 10 December 2011

BPMB's Go-Kart Team finished at 9th place at My-Kart Enduro at City Karting, Shah Alam.

41. 23 December 2011

Winners of the Photography Competition, a program held in conjunction with BPMB's 38th anniversary.

42. 28 December 2011

Zakat contribution to the Sarawak state and CR program at Sekolah Bakti, Kuching, Sarawak.

43. 30 December 2011

CR Program at Asrama Darul Falah (ASDAF), Bukit Persekutuan jointly organized by Group Corporate Communications and members of the SLI1M Trainee Program.

FINANCIAL STATEMENTS

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Bank is principally engaged to provide medium to long term credit facilities to finance infrastructure projects, maritime, technology and capital intensive industries in manufacturing as well as other identified sectors in line with the country's development policy. The principal activities of the subsidiary companies are as disclosed in Note 42 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Bank RM'000
Profit for the year	455,554	462,135
Attributable to:		
Equity holders of the Bank	481,239	462,135
Minority interests	(25,685)	-
	455,554	462,135

There were no material transfers to or from reserves or provisions during the year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

Final tax exempt dividend on 3,078,724,049 ordinary shares, amounting to RM100,000,000 (3.25 sen net per ordinary share), in respect of the financial year ended 31 December 2010 was declared on 30 May 2011 and approved for payment on 22 June 2011.

The dividend has been accrued and accounted for in equity as an appropriation of retained profit during the financial year.

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of the financial year ended 31 December 2011, of 3.25% on 3,078,724,049 ordinary shares, amounting to a dividend payable of RM100,000,000 (3.25 sen net per ordinary share) will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2012.

DIRECTORS

The names of the directors of the Bank in office since the date of the last report and at the date of this report are:

Tan Sri Dr. Abdul Samad bin Hj Alias	(term ended on 1 August 2011)
Dato' Mohammed bin Haji Che Hussein	(appointed on 15 September 2011)
Dato' Mohd Zafer bin Mohd Hashim	
Siti Zauyah binti Md Desa	
Zainul Rahim bin Mohd Zain	
Tan Sri Faizah binti Mohd Tahir	
Dato' Dr. Syed Jaafar bin Syed Aznan	
Datuk Idris bin Abdullah @ Das Murthy	
Rosli bin Abdullah	
Abdul Aziz bin Ishak	(appointed on 29 September 2011)
A Ghani bin Ishak	(deceased on 21 March 2011)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Bank was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 30 or the fixed salary of a full time employee of the Bank) by reason of a contract made by the Bank or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

DIRECTORS' INTEREST

None of the directors holding office at 31 December 2011 had any interest in the shares of the Bank or related corporations during the financial year.

RATING BY EXTERNAL RATING AGENCIES

Details of the Bank's ratings are as follows:

Rating agency	Date	Rating classification	Received
RAM Rating	27 December 2011	Issue rating on RM7 billion Conventional Medium-Term Notes Programme and Islamic Murabahah Medium-Term Notes Programme	AAA
MARC Rating	9 February 2011	Financial Institution rating	AAA
RAM Rating	27 December 2011	Financial Institution rating	AAA
MARC Rating	9 February 2011	Islamic Commercial Papers and/or conventional Commercial Paper Programme of up to RM2.0 billion in nominal value	MARC-1

BUSINESS OUTLOOK

The world economy is not improving, with the Eurozone still recovering from the brink of a meltdown whilst China, the world's engine of growth, is slowing down. Consequently, the domestic banking sector would be depressed by a slowdown in loans growth, weaker investment banking income and higher credit costs. The recently announced Financial Sector Blueprint 2011-2020 aims to put the financial sector on a stronger footing to withstand any financial headwinds and compete globally, in preparing Malaysia towards becoming a high value-added and high income economy. The Bank will continue to support large scale projects, especially those outlined in the Economic Transformation Programme and Tenth Malaysia Plan. The Bank's operation is projected to be sustainable, supported by enhanced funding and liquidity management as well as integrated risk management.

OTHER STATUTORY INFORMATION

(a) Before the statements of financial position and income statements of the Group and of the Bank were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

OTHER STATUTORY INFORMATION (cont'd)

(b) At the date of this report, the directors are not aware of any circumstances:

(i) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent and the values attributed to current assets in the financial statements of the Group and of the Bank misleading;

(ii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate; and

(iii) not otherwise dealt with in this report or financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.

(c) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Bank which has arisen since the end of the financial year.

(d) In the opinion of the directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Bank to meet its obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Bank for the financial year which this report is made.

SIGNIFICANT EVENTS

Details of the significant event of the Group and the Bank during the financial year in relation to the acquisition of a new subsidiary is disclosed in Note 9 to the financial statements.

AUDITORS

The auditors, Ernst & Young have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 7 March 2012.

Dato' Mohammed bin Haji Che Hussein

Dato' Mohd Zafer bin Mohd Hashim

Kuala Lumpur, Malaysia

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Mohammed bin Haji Che Hussein and Dato' Mohd Zafer bin Mohd Hashim, being two of the directors of Bank Pembangunan Malaysia Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 87 to 215 are drawn up in accordance with Financial Reporting Standards as modified by Bank Negara Malaysia/ Development Financial Institutions Guidelines and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2011 and of their financial performance and cash flows of the Group and of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 7 March 2012.

Dato' Mohammed Bin Haji Che Hussein

Dato' Mohd Zafer bin Mohd Hashim

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965
and Section 73(1)(e) of the Development Financial Institution Act, 2002

We, Rosli bin Abdullah and Dato' Mohd Zafer bin Mohd Hashim, the Director and President/ Group Managing Director, respectively, of the Bank who are primarily responsible for the financial management of Bank Pembangunan Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 87 to 215 are, to the best of our knowledge and belief, correct and we make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed at Kuala Lumpur in
the Federal Territory on 7 March 2012.

Rosli bin Abdullah

Dato' Mohd Zafer bin Mohd Hashim

Before me,

PESURUHJAYA SUMPAH
W.490
S. ARULSAMY
MALAYSIA

16 - Tingkat Bawah Jalan Pudu.
55100 Kuala Lumpur.

In the Name of Allah, The Compassionate, The Most Merciful

We have provided Shariah advisory services and conducted a review on the principles and contracts relating to the transactions and applications introduced by Bank Pembangunan Malaysia Berhad and its Group during the year ended 31 December 2011, to form an opinion as to whether the Group and the Bank has complied with Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

The Bank's management is responsible for ensuring that the Group and the Bank conducts its Islamic Banking business in accordance with Shariah rules and principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Group and of the Bank. Our view is based on management representation and review performed by the Bank's internal Shariah Advisory Unit.

We are of the opinion that:

(a) The contracts, transactions and dealings entered into by the Group and the Bank during the year ended 31 December 2011, that have been reviewed by Shariah Advisory Unit are in compliance with the Shariah rules and principles;

(b) The allocation of profit relating to investment accounts of the Bank conform to the basis that had been approved by us in accordance with Shariah principles; and

(c) The calculation of zakat is in compliance with Shariah principles.

We beg Allah the Almighty to Grant us all the Success and Straight-Forwardness And Allah Knows Best.

Tan Sri Dato' Seri (Dr) Hj Harussani bin Hj Zakaria
Chairman of the Committee

Asst. Prof. Dr. Miszairi bin Sitiris
Member of the Committee

Kuala Lumpur, Malaysia
7 March 2012

to the members of Bank Pembangunan Malaysia Berhad
(Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Bank Pembangunan Malaysia Berhad, which comprise the statements of financial position as at 31 December 2011 of the Group and of the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flow of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 87 to 215.

Directors' responsibility for the financial statements

The directors of the Bank are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards as modified by Bank Negara Malaysia/Development Financial Institutions guidelines and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards as modified by Bank Negara Malaysia/Development Financial Institutions guidelines and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2011 and of their financial performance and cash flows of the Group and of the Bank for the year then ended.

to the members of Bank Pembangunan Malaysia Berhad
(Incorporated in Malaysia) (cont'd)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries have been properly kept in accordance with the provisions of the Act.

b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

c) The auditors' reports on the accounts of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the members of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Nik Rahmat Kamarulzaman Bin Nik Ab. Rahman
No. 1759/02/14(J)
Chartered Accountant

Kuala Lumpur, Malaysia

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2011

		Group		Bank	
		2011	2010	2011	2010
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short term deposits	3	2,586,442	3,834,577	2,435,932	3,086,574
Deposits and placements with financial institutions	4	1,374,331	239,096	920,227	239,050
Financial investments - available-for-sale ("AFS")	5	1,049,113	1,867,531	1,017,412	1,861,339
Financial investments - held-to-maturity ("HTM")	6	149,257	267,766	149,235	267,744
Loans, advances and financing	7	22,845,145	21,435,096	22,679,650	21,321,719
Deferred tax assets	16	12,601	139,224	12,601	139,224
Other assets	8	1,330,055	1,452,750	1,288,822	1,271,156
Investments in subsidiaries	9	-	-	985,742	930,296
Interest in associates	10	171,964	-	-	-
Interest in jointly controlled entities	11	257,226	211,303	-	-
Property, plant and equipment	12	485,983	559,996	123,554	122,216
Prepaid land leases	13	3,050	3,801	3,050	3,801
Investment properties	14	17,022	17,468	7,913	8,090
Intangible assets	15	4,231	2,313	3,538	1,281
		30,286,420	30,030,921	29,627,676	29,252,490
Asset classified as held for sale	41	24,581	-	-	-
Total assets		30,311,001	30,030,921	29,627,676	29,252,490
Liabilities					
Deposits from customers	17	6,959,773	7,486,357	6,959,773	7,486,357
Bills and acceptances payable		99,835	-	99,835	-
Other liabilities	18	120,404	177,353	31,994	74,246
Redeemable notes	19	4,234,056	4,535,947	4,234,056	4,535,947
Term loans	20	10,810,352	9,901,658	10,604,432	9,614,892
Infrastructure support fund	21	413,296	380,294	413,296	380,294
Deferred income	22	233,005	292,208	233,005	292,208
Deferred tax liabilities	16	8,685	10,892	-	-
Total liabilities		22,879,406	22,784,709	22,576,391	22,383,944

As at 31 December 2011 (cont'd)

		Group		Bank	
		2011	2010	2011	2010
	Note	RM'000	RM'000	RM'000	RM'000
Equity attributable to equity holders of the Bank					
Share capital	23	3,078,724	3,078,724	3,078,724	3,078,724
Reserves	24	4,155,174	3,959,857	3,972,561	3,789,822
		7,233,898	7,038,581	7,051,285	6,868,546
Minority interests		197,697	207,631	-	-
Total equity		7,431,595	7,246,212	7,051,285	6,868,546
Total equity and liabilities		30,311,001	30,030,921	29,627,676	29,252,490
Commitments and contingencies	37(a)	3,921,665	5,542,371	3,024,862	5,195,231

The accompanying notes form an integral part of the financial statements.

INCOME STATEMENTS

For the financial year ended 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Bank 2011 RM'000	Bank 2010 RM'000
Interest income	26	1,447,653	1,366,354	1,394,745	1,318,028
Interest expense	27	(731,603)	(677,708)	(730,557)	(676,893)
Net interest income		716,050	688,646	664,188	641,135
Net income from Islamic banking business	45	161,681	144,294	160,957	143,183
Non-interest income	28	275,413	411,343	202,606	291,804
Net income		1,153,144	1,244,283	1,027,751	1,076,122
Overhead expenses	29	(206,866)	(237,736)	(70,331)	(82,901)
Allowance for impairment of loans and financing	32	(274,778)	(381,026)	(295,941)	(403,772)
Impairment losses on other assets, net	33	(85,220)	(86,139)	(43,287)	(85,958)
Operating profit		586,280	539,382	618,192	503,491
Share of results of jointly controlled entities		32,681	9,706	-	-
Profit before taxation		618,961	549,088	618,192	503,491
Tax expense	34	(163,407)	(124,657)	(156,057)	(118,140)
Profit for the year		455,554	424,431	462,135	385,351
Attributable to:					
Shareholders of the Bank		481,239	420,864	462,135	385,351
Minority interests		(25,685)	3,567	-	-
		455,554	424,431	462,135	385,351
Earnings per share attributable to the equity holders of the Bank (sen) (Note 36):					
Basic earnings per share		15.63	13.67		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Bank 2011 RM'000	Bank 2010 RM'000
Profit for the year		455,554	424,431	462,135	385,351
Other comprehensive income					
Exchange difference on translation of foreign operations		(10,764)	(36,885)	-	-
Net unrealised loss on revaluation of financial investments available-for-sale ("AFS")		(178,848)	(100,320)	(179,396)	(74,197)
Other comprehensive loss for the year, net of tax		(189,612)	(137,205)	(179,396)	(74,197)
Total comprehensive income for the year, net of tax		265,942	287,226	282,739	311,154
Total comprehensive income attributable to:					
Shareholders of the Bank		295,317	292,694	282,739	311,154
Minority interests		(29,375)	(5,468)	-	-
		265,942	287,226	282,739	311,154

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

		<---- Attributable to equity holders of the Bank ----								
		<---- Non-Distributable ----								
Group	**Note**	**Share capital RM'000**	**Capital reserve RM'000**	**Statutory reserve RM'000**	**Unrealised holding reserve RM'000**	**Exchange translation reserve RM'000**	**Distri-butable retained profits RM'000**	**Total RM'000**	**Minority interests RM'000**	**Total equity RM'000**
At 1 January 2011		3,078,724	1,000	1,539,362	173,735	(48,429)	2,294,189	7,038,581	207,631	7,246,212
Total comprehensive income for the year		-	-	-	(178,848)	(7,074)	481,239	295,317	(29,375)	265,942
Transfer to statutory reserve		-	-	115,534	-	-	(115,534)	-	-	-
Dividends paid	35	-	-	-	-	-	(100,000)	(100,000)	(21,187)	(121,187)
Issuance of CRPS		-	-	-	-	-	-	-	40,628	40,628
At 31 December 2011		3,078,724	1,000	1,654,896	(5,113)	(55,503)	2,559,894	7,233,898	197,697	7,431,595
At 1 January 2010,		3,078,724	1,000	1,384,641	274,055	(20,579)	2,128,046	6,845,887	232,419	7,078,306
Total comprehensive income for the year		-	-	-	(100,320)	(27,850)	420,864	292,694	(5,468)	287,226
Transfer to statutory reserve			-	154,721	-	-	(154,721)	-	-	-
Dividends paid	35	-	-	-	-	-	(100,000)	(100,000)	(19,320)	(119,320)
At 31 December 2010		3,078,724	1,000	1,539,362	173,735	(48,429)	2,294,189	7,038,581	207,631	7,246,212

The accompanying notes form an integral part of the financial statements.

For the year ended 31 December 2011

Bank	Note	Share capital RM'000	Statutory reserve RM'000	Unrealised holding reserve RM'000	Distri-butable retained profits RM'000	Total RM'000
		<---------- Non distributable --------->				
At 1 January 2011		3,078,724	1,539,362	291,014	1,959,446	6,868,546
Total comprehensive income for the year		-	-	(179,396)	462,135	282,739
Transfer to statutory reserve		-	115,534	-	(115,534)	-
Dividends paid	35	-	-	-	(100,000)	(100,000)
At 31 December 2011		3,078,724	1,654,896	111,618	2,206,047	7,051,285
At 1 January 2010		3,078,724	1,384,641	365,211	1,828,816	6,657,392
Total comprehensive income for the year		-	-	(74,197)	385,351	311,154
Transfer to statutory reserve		-	154,721	-	(154,721)	-
Dividends paid	35	-	-	-	(100,000)	(100,000)
At 31 December 2010		3,078,724	1,539,362	291,014	1,959,446	6,868,546

The accompanying notes form an integral part of the financial statements.

For the financial year ended 31 December 2011

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash flow from operating activities				
Profit before taxation	618,961	549,088	618,192	503,491
Adjustments for:				
Share of profits in jointly controlled entities	(32,681)	(9,706)	-	-
Depreciation	57,782	58,012	11,238	11,066
Amortisation of prepaid lease rental	110	110	110	110
Depreciation of investment properties	446	398	177	177
Amortisation of intangible assets	1,452	1,177	1,113	1,177
Negative goodwill	(1,895)	-	-	-
Impairment of property, plant and equipment	40,406	-	-	-
Net gain on disposal of property, plant and equipment	(1,293)	(28,300)	(1,293)	(211)
Net gain on disposal of prepaid land lease	(4,198)	-	(4,198)	-
Gain on sale of financial investments available-for-sale ("AFS")	(2,811)	(10,695)	(2,811)	(10,695)
Dividend income:				
- subsidiaries	-	-	(21,600)	(21,600)
- financial investments available-for-sale ("AFS")	(18,395)	(27,592)	(18,395)	(27,592)
Amortisation of premium less accretion of discount of financial investments	(18,395)	(15,109)	(18,395)	(15,109)
Impairment allowance/(written back) for:				
- financial investments available-for-sale ("AFS")	2,152	1,000	(7,069)	1,000
- financial investments held-to-maturity ("HTM")	42,662	85,139	42,662	84,958
- investment in subsidiaries	-	-	7,694	-
- investment in associates	-	978	-	-
Property, plant and equipment written off	-	76	-	76
Unrealised loss/(gain) on foreign exchange	6,000	(24,952)	6,000	(24,952)
Balance carried forward	690,303	579,624	613,425	501,896

For the financial year ended 31 December 2011 (cont'd)

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash flow from operating activities (cont'd)				
Balance brought forward	690,303	579,624	613,425	501,896
Individual impairment allowance	342,243	359,760	328,408	352,566
Collective impairment allowance	55,283	47,263	55,689	47,650
Individual impairment allowance written back	(106,198)	(27,734)	(77,599)	(2,457)
Bad debts and financing written off	134	5,542	134	5,542
Profit equalisation reserve	2,188	(1,071)	2,188	(1,071)
Infrastructure Support Fund for allowance made during the year	(146,257)	(185,920)	(146,257)	(185,920)
Infrastructure Support Fund for allowance made written back	172,406	-	172,406	-
Infrastructure Support Fund for loan written off made during the year	(131,939)	-	(131,939)	-
Recoverable from loan written off against Infrastructure Support Fund	10,608	-	10,608	-
Financial investment impairment made during the year against Infrastructure Support Fund	(43,684)	-	(43,684)	-
Compensation from the Government	(165,324)	(161,111)	(165,324)	(161,111)
Operating profit before working capital changes	679,763	616,353	618,055	557,095
(Increase)/decrease in operating capital changes:				
Deposits and placements with financial institutions	(1,135,235)	18,297	(681,177)	18,297
Loans, advances and financing	(1,613,793)	(2,445,111)	(1,606,898)	(2,444,349)
Other assets	(93,059)	377,895	(51,515)	354,789
Fixed deposits and acceptances	(526,584)	(775,279)	(526,584)	(775,279)
Other liabilities	4,529	(15,539)	34,771	72,034
Cash used in operations	(2,684,379)	(2,223,384)	(2,213,348)	(2,217,413)
Income taxes paid	(99,756)	(124,657)	(93,258)	(118,141)
Net cash used in operating activities	(2,784,135)	(2,348,041)	(2,306,606)	(2,335,554)

STATEMENTS OF CASH FLOW

For the financial year ended 31 December 2011 (cont'd)

	Group		Bank	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flow from investing activities				
Acquisition of subsidiaries	(37,764)	-	(63,140)	-
Dividends from financial investments available-for-sale ("AFS")	18,395	27,592	18,395	27,592
Dividends from subsidiaries	-	-	21,600	21,600
Purchase of financial investments available-for-sale ("AFS")	(110,749)	(209,389)	(110,749)	(209,389)
Purchase of property, plant and equipment	(44,204)	(26,200)	(14,594)	(4,235)
Purchase of intangible assets	(3,370)	-	(3,370)	-
Proceeds from disposal/maturity of financial investments	925,564	476,079	925,564	476,079
Proceeds from disposal of property, plant and equipment	3,311	170,975	3,311	284
Proceeds from disposal of prepaid land leases	4,839	-	4,839	-
Net cash generated from investing activities	756,022	439,057	781,856	311,931
Cash flows from financing activities				
Net receipt from long-term loans	888,960	1,330,617	983,090	1,410,059
Proceeds from issuance of bond	-	2,500,000	-	2,500,000
Net receipt from commercial papers	99,835	-	99,835	-
Settlement of redeemable guaranteed notes	(300,000)	-	(300,000)	-
Proceeds from Government compensation	191,183	230,451	191,183	230,451
Dividends paid	(100,000)	(100,000)	(100,000)	(100,000)
Net cash generated from financing activities	779,978	3,961,068	874,108	4,040,510
Net (decrease)/ increase in cash and cash equivalents	(1,248,135)	2,052,084	(650,642)	2,016,887
Cash and cash equivalents at beginning of year	3,834,577	1,782,493	3,086,574	1,069,687
Cash and cash equivalents at end of year	2,586,442	3,834,577	2,435,932	3,086,574
Cash and cash equivalents comprise:				
Cash and short term deposits (Note 3)	2,586,442	3,834,577	2,435,932	3,086,574

The accompanying notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

Bank Pembangunan Malaysia Berhad ("the Bank") is a public limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Bank is located at Level 16, Menara Bank Pembangunan, Bandar Wawasan, No. 1016, Jalan Sultan Ismail, 50250 Kuala Lumpur.

The Bank is principally engaged to provide medium to long term credit facilities to finance infrastructure projects, maritime, technology and capital intensive industries in manufacturing as well as other identified sectors in line with ther country's development policy while the other entities within the Group are primarily involved in leasing, investment holding, venture capital investment and ship owning activities.

There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 7 March 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance and basis of preparation

The financial statements of the Group and of the Bank have been prepared in accordance with Financial Reporting Standards (“FRSs”) as modified by Bank Negara Malaysia/Development Financial Institutions (“BNM/DFIs”) Guidelines and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Bank adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2011 as described fully in Note 2.2.

The financial statements incorporate those activities relating to Islamic Banking, which have been undertaken by the Group. Islamic Banking refers generally to the granting of financing under Syariah principles.

The financial statements of the Group and of the Bank have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below. The financial statements are presented in Ringgit malaysia (“RM”) and all values are rounded to the nearest thousand (RM’000) except otherwise indicated.

31 December 2011 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Changes in accounting policies and effects arising from adoption of new and revised FRSs

The accounting policies adopted by the Group and the Bank are consistent with those adopted in previous years, except as follows:

The Group and the Bank adopted the following FRSs, amendments to FRS and IC Interpretations beginning on or after 1 January 2011:

FRSs, Amendments and Interpretations	Effective for financial period beginning on or after
* Amendments to FRS 132: Financial Instruments: Presentation	1 March 2010
FRS 1: First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3: Business Combinations (revised)	1 July 2010
FRS 127: Consolidated and Separate Financial Statements (amended)	1 July 2010
Amendments to FRS 2: Share-based Payment	1 July 2010
Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 138: Intangible Assets	1 July 2010
Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives	1 July 2010
IC Interpretation 12: Service Concession Arrangements	1 July 2010
IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17: Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to FRS 1 - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 1 - Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 1: First-time Adoption of Financial Reporting Standards	1 January 2011
Amendments to FRS 2 - Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 3: Business Combinations	1 January 2011
Amendments to FRS 7 - Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 7: Financial Instruments: Disclosures	1 January 2011
Amendments to FRS 101: Presentation of Financial Statements	1 January 2011
Amendments to FRS 121: The Effects of Changes in Foreign Exchange Rates	1 January 2011
Amendments to FRS 128: Investments in Associates	1 January 2011
Amendments to FRS 131: Interests in Joint Ventures	1 January 2011
Amendments to FRS 132: Financial Instruments: Presentation	1 January 2011
Amendments to FRS 134: Interim Financial Reporting	1 January 2011
Amendments to FRS 139: Financial Instruments: Recognition and Measurement	1 January 2011
IC Interpretation 4: Determining Whether an Arrangement Contains a Lease	1 January 2011
IC Interpretation 18: Transfers of Assets from Customers	1 January 2011
Amendments to IC Interpretation 13: Customer Loyalty Programmes	1 January 2011
TR 3: Guidance on Disclosures of Transition to IFRSs	1 January 2011
TR i-4: Shariah Compliant Sale Contracts	1 January 2011

* The amendments to FRS 132: Financial Instruments: Presentation in paragraphs 11, 16 and 97E, are relating to Classification of Rights Issues.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Changes in accounting policies and effects arising from adoption of new and revised FRSs (cont'd)

Amendments to FRS 7: Financial Instruments: Disclosures, Improving Disclosures about Financial Instruments

The adoption of amendments to FRS 7 which resulted in removal of some disclosures as well as additional disclosures in the financial statements, but did not affect profit or loss, retained earnings and other reserves of the Group and of the Bank for the period ended 31 December 2011.

Amendments to FRS 7 introduces changes to credit risk disclosures as well as enhanced disclosures on fair value measurement and liquidity risk.

The adoption is effected prospectively for annual periods beginning on or after 1 January 2011 except for credit risk disclosures whereby the changes in the disclosures are effected retrospectively. The disclosure details are mainly disclosed in Note 43.

2.3 Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer.

The Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2012. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group has not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2011 could be different if prepared under the MFRS Framework.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2012.

2.4 Summary of significant accounting policies

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Bank. Consistent accounting policies are applied to like transactions and events in similar circumstances.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

(b) Transactions with minority interests

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with owners. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

(c) Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Bank's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

(d) Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(d) Associates (cont'd)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Bank unless it is impracticable to do so. When the financial statements of the associates used in applying the equity method are prepared as of a different reporting date from the Bank, adjustments are made for the effects of significant transactions or events that occur between that date and the reporting date of the Bank. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Bank's separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(e) Jointly controlled entities

The Group has interests in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in jointly controlled entity is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the jointly controlled entity. The Group's share of the net profit or loss of the jointly controlled entity is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the jointly controlled entity, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the jointly controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the jointly controlled entity. The jointly controlled entity is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the jointly controlled entity.

Goodwill relating to the jointly controlled entity is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the jointly controlled entity's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the jointly controlled entity's profit or loss in the period in which the investment is acquired.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(e) Jointly controlled entities (cont'd)

When the Group's share of losses in the jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

The most recent available audited financial statements of the jointly controlled entities are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting polices are adopted for like transactions and events in similar circumstances.

(f) Foreign currency transactions

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Bank's functional currency.

(ii) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial translated. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(f) Foreign currency transactions (cont'd)

(iii) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

(g) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Building-in-progress are also not depreciated as these assets are not available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Building	50 years
Vessels	25 years
Furniture and equipment	3 - 10 years
Partitioning, installation and renovations	3 - 20 years
Motor vehicles	5 - 8 years
Dry-docking expenses	2.5 - 5 years

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(h) Investment properties

Investment properties principally comprise properties held for long-term rental yields or capital appreciation or both and which are not occupied by the Group. Investment property is carried at cost less accumulated depreciation and any impairment losses.

Freehold land is not depreciated. Freehold building is depreciated at an annual rate of 2%, calculated on a straight line basis to write off the cost of each building over the estimated useful life.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria is met and excludes the cost of day-to-day servicing of that property.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit and loss in the year in which they arise.

(i) Intangible assets

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group and the Bank.

The useful lives of intangible asset are assessed to be either finite or infinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible asset with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Computer softwares were acquired separately and are amortised on a straight line basis over the finite useful lives of 3 - 5 years.

(j) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and building are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

– Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (Note 2.4(h)); and

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(j) Leases (cont'd)

(i) Classification (cont'd)

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

- Leasehold land held for own use is classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and building element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on straight-line basis over the lease term.

(k) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(l) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(m) Financial assets

Initial recognition and subsequent measurement

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Bank become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Bank determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Regular way purchases and sales of financial assets held-for-trading are recognised on settlement date.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(m) Financial assets (cont'd)

Initial recognition and subsequent measurement (cont'd)

(ii) Loan Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less allowance for impairment. Interest income on loans and receivables is recognised in "Interest income" in the profit or loss. Impairment losses on loans and receivables are recognised in profit or loss as "Allowances for impairment on loans, advances and financing".

(iii) Held-to-maturity ("HTM") investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Interest income on held-to-maturity investments is recognised in "Interest income" in the profit or loss. Impairment losses on held-to-maturity investments are recognised in profit or loss as "Impairment on held-to-maturity investments".

Unquoted shares in organisations set up for socio-economic purposes and equity instruments received as a result of loan restructuring or loan conversion which do not have a quoted market price in an active market and whose fair value cannot be reliably measured are also classified as securities held-to-maturity.

Regular way purchases and sales of held-to-maturity investments are recognised on settlement date.

(iv) Available-for-sale ("AFS") investments

Available-for-sale are financial assets that are designated as available for sale or are not classified in any of the three preceding categories. Available-for-sale investments include financial assets that are intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in market condition.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Bank's right to receive payment is established.

If an available-for-sale investment is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(m) Financial assets (cont'd)

Initial recognition and subsequent measurement (cont'd)

Regular way purchases and sales of held-to-maturity investments are recognised on settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

Fair value determination

For financial instruments measured at fair value, the fair value is determined by reference to quoted market prices or by using valuation models. The fair value of financial instruments traded in active markets are based on quoted market price or dealer price quotation.

For all other financial assets, fair value is determined using appropriate valuation techniques. In such cases, the fair values are estimated using discounted cash flow models, based on observable data in respect of similar financial instruments and using inputs (such as yield curve) existing at reporting date.

Derecognition

Financial instruments are derecognised when the risks and rewards associated with the instruments are substantially transferred, cancelled or expired. On derecognition, the difference between the carrying amount of the instruments and the consideration received/paid, less the cumulative gain or loss that has been recognised in the equity are taken to the profit and loss account.

(n) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Bank become a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised at amortised cost. Financial liabilities measured at amortised cost include deposits from customers, debt securities issued and other borrowed fund.

Financial liabilities are derecognised when they are redeemed or extinguished.

(o) Impairment of financial assets

The Group and the Bank assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(o) Impairment of financial assets (cont'd)

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The impairment policies on the financial assets are summarised as follows:

(i) Loans and receivables

Classification of impaired loans, advances and financing

The Group classifies a loan, advance or financing as impaired when there is objective evidence that the loan is impaired. In addition the Group also complies with Bank Negara Malaysia's Guidelines on Classification and Impairment Provision for Loans/Financing which states that, based on repayment conduct, a loan or financing should be classified as impaired:

– Where the principal or interest/profit or both is past due more than 90 days or 3 months. In the case of revolving facilities (e.g. overdraft facilities), the facility shall be classified as impaired where the outstanding amount remain in excess of the approved limit for a period of more than 90 days or 3 months.

Declassification of an impaired account shall be supported by a credit assessment of the repayment capabilities, cash flow and financial position of the borrower. The Group must be satisfied that once the account is de-classified, the account is unlikely to be classified again in the near future.

Impairment

The Group first assesses individually whether objective evidence of impairment exists individually for loans, advances and financing that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Where appropriate, the calculation of the present value of the estimated future cash flows of a collateralised loans or receivable reflect the cash flows that may result from foreclosure less costs of obtaining and selling the collateral, whether or not foreclosure is probable. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest income'.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(o) Impairment of financial assets (cont'd)

(i) Loans and receivables (cont'd)

Impairment (cont'd)

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

For loans, advances and financing that are collectively assessed, the Group have applied the transitional provision issued by Bank Negara Malaysia via its guidelines on Classification and Impairment Provision for Loans/Financing, whereby collective assessment impairment allowance is maintained at a minimum of 1.5% of total loan outstanding, net of individual assessment impairment allowance.

(ii) Held-to maturity ("HTM") investments

The Group assess at each reporting date whether objective evidence of impairment of held-to-maturity investments exists as a result of one or more loss events and that loss event has an impact on the estimated future cash flows of the financial investment or group of financial investments that can be reliably estimated.

Where there is objective evidence of impairment, an impairment loss is recognised as the difference between the amortised cost and the present value of the estimated future cash flows, less any impairment previously recognised.

(iii) Available-for-sale ("AFS") investments

The Group assess at each reporting date whether objective evidence that financial investment classified as available-for-sale is impaired.

In the case of quoted investments, a significant and prolonged decline in the fair value of the security below its cost is also considered in determining whether objective evidence of impairment exists. Where such evidence exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less impairment loss previously recognised) is removed from equity and recognised in the profit and loss. For unquoted equity investment which are measured at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flow discounted at the current rate of return for a similar financial asset. Impairment losses recognised in the profit or loss on equity investments are not reversed through the profit and loss.

For debt instruments, impairment is assessed based on the same criteria as other available-for-sale financial investments. Where impairment losses have been previously recognised in the profit or loss, if there is a subsequent increase in the fair value of the debt instruments that can be objectively related to a credit event occurring after the impairment loan was recognized in the profit or loss, the impairment loss is reversed through profit and loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(p) Financial derivatives

All derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from a change in the fair value of the derivatives is recognised in the income statement. Derivatives embedded in other financial instruments are accounted for separately as derivatives if the economic characteristics and risks are not closely related to those of the host contracts and the host contracts are carried at fair value through profit or loss.

(q) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Bank after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(r) Inventories

Inventories consist of lubricants on board for own consumption and are stated at cost in US Dollars and converted to Ringgit Malaysia at a rate that approximates the rate of exchange at reporting date. The cost of lubricants is based on the weighted average cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

(s) Employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contribution to the Employees Provident Fund is charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(t) Government Grants

Government grants are recognised at their fair value in the balance sheet where there is a reasonable assurance that the grants will be received and all attaching conditions will be complied with. The Government grants are presented in the balance sheet as "Infrastructure Support Fund" and "Deferred Income".

Deferred income comprises claims received in relation to interest rate differentials on financing of Government Infrastructure projects. Other claims received are recorded in the "Infrastructure Support Fund"

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(t) Government Grants (cont'd)

Grants that compensate the Group for expenses incurred are recognised as income over the period necessary to match the grants on a systematic basis to the costs that it is intended to compensate.

(u) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(v) Contingent Liabilities

Contingent liabilities consist of secured guarantees given to third parties on behalf of borrowers. Contingent liabilities are disclosed in the notes to the accounts, unless the possibility of an outflow of resources embodying economic benefits is remote.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(w) Disposal Groups Assets Held for Sale and Discontinued Operation

Non financial assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, nonfinancial assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets and financial assets) are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(x) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(i) Interest and similar income and expense

For all financial instruments measured at amortised cost, interest/profit bearing financial assets classified as available-for-sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, repayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

For impaired financial assets where the value of the financial asset have been written down as a result of an impairment loss, interest/financing income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Income recognition for leasing, hire purchase financing, confirming and factoring

Income earned on leasing and hire purchase confirming and factoring financing is recognised based on the effective interest method.

(iii) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(iv) Charter hire, demurrage and freight income

Revenue and expenses up to the reporting date are recognised for voyage which remain uncompleted as at the reporting date, the income receivable for the voyage are pro-rated up to the reporting date and all relevant costs are accrued.

(y) Income taxes

(i) Current tax

Current tax assets and liablities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(y) Income taxes (cont'd)

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affect neither the accounting profit nor taxable profit or loss; and

– in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

– where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of significant accounting policies (cont'd)

(z) Cash and cash equivalent

Cash and cash equivalents consist of cash in hand, bank balances and deposit placements maturing less than one month held for the purpose of meeting short term commitments and readily convertible into cash without significant risk of changes in value.

(aa) Foreclosed properties

Foreclosed properties are those acquired in full or partial satisfaction of debts and are stated at the lower of cost and fair value.

(ab) Non-current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non current assets are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

2.5 Significant accounting judgements and estimates

In the preparation of financial statements, management has been required to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial statements in the period in which the estimates are revised and in the future periods affected.

Significant areas of estimation, uncertainty and critical judgement used in applying accounting policies that have significant effect on the amount recognised in the financial statements include the following:

(a) Fair value estimation of financial investments available-for-sale ("AFS") (Note 5)

The fair value of securities that are not traded in an active market are determined using valuation techniques based on assumptions of market conditions existing at the reporting date, including reference to quoted market prices and independent dealer quotes for similar securities and discounted cash flow method.

(b) Deferred tax (Note 16)

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowance to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Significant accounting judgements and estimates (cont'd)

(b) Deferred tax (Note 16) (cont'd)

Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The Group did not recognise any deferred tax assets on unutilised tax losses and unabsorbed capital allowance relating to a subsidiary as at 31 December 2011 (2010: Nil). The total carrying values of unutilised tax losses and unabsorbed capital allowances of the Group were RM16,139,000 (2010: RM54,836,000) and RM13,388,000 (2010: RM10,663,000) respectively.

(c) Allowance for impairment on loans, advances and financing (Note 32)

The Bank assesses at the end of each reporting period whether there is objective evidence that a loan is impaired. Loans and advances that are individually significant are assessed individually. Those not individually significant are grouped together based on similar credit risks and assessed as a portfolio.

The amendments to FRS139 include additional transitional arrangement for entities in the financial services sector, whereby BNM may prescribe the use of an alternative basis for collective assessment of impairment for banking institutions. This transitional arrangement is prescribed in BNM's guidelines on Classification and Impairment Provision for Loan/Financing issued on 8 January 2010, whereby banking institutions are required to maintain collective impairment provisions of at least 1.5% of total outstanding loans/financing, net of individual impairment provision.

(d) Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(e) Impairment of vessels

The Group assesses whether there is any indication that the vessels may be impaired at each reporting date. If indicators are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the assets' and the assets' estimated recoverable amount.

The Group determines whether vessels are impaired following certain indications of impairment such as deteriorating financial performance of the vessels due to observed changes and fundamentals. Judgments are made by management to select suitable methods of valuation such as the discounted cash flow method.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Significant accounting judgements and estimates (cont'd)

(e) Impairment of vessels (cont'd)

Once a suitable method of valuation is selected, management makes certain assumptions concerning the future to estimate the recoverable amount of the vessels. These assumptions and other key sources of estimation uncertainty at the reporting date, may have a significant risk of causing a material adjustment to the carrying amounts of the vessels within the next financial year. Assumptions made by management may include, amongst others, assumptions on expected future cash flows, revenue growth, discount rate used for purposes of discounting future cash flows which incorporates the relevant risks, and expected future outcome of certain past events.

3. CASH AND SHORT TERM DEPOSITS

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash and balances with other financial institutions	83,399	66,514	4,296	26,066
Money at call and deposit placements maturing within one month	2,503,043	3,768,063	2,431,636	3,060,508
	2,586,442	3,834,577	2,435,932	3,086,574

4. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Licensed banks	1,374,331	238,096	920,227	238,050
Other financial institutions	-	1,000	-	1,000
	1,374,331	239,096	920,227	239,050

5. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE ("AFS")

At fair value	Group 2011 RM'000	Group 2010 RM'000	Bank 2011 RM'000	Bank 2010 RM'000
Money market instruments:				
Malaysian Government Securities	40,910	40,989	40,910	40,989
Quoted securities:				
(In Malaysia)				
Shares	296,210	528,489	288,029	522,318
Others	-	21	-	-
	296,210	528,510	288,029	522,318
Balance carried forward	337,120	569,499	328,939	563,307
Balance brought forward	337,120	569,499	328,939	563,307
Unquoted securities:				
(In Malaysia)				
Shares	23,592	324	72	324
Loan stock	7,780	258,748	7,780	258,748
Private debt securities	680,621	1,038,960	680,621	1,038,960
	711,993	1,298,032	688,473	1,298,032
	1,049,113	1,867,531	1,017,412	1,861,339

6. FINANCIAL INVESTMENTS - HELD-TO-MATURITY ("HTM")

At amortised cost	Group 2011 RM'000	Group 2010 RM'000	Bank 2011 RM'000	Bank 2010 RM'000
Money market instruments:				
Cagamas	94,914	95,236	94,914	95,236
	94,914	95,236	94,914	95,236

6. FINANCIAL INVESTMENTS - HELD-TO-MATURITY ("HTM") (cont'd)

	Group		Bank	
	2011	2010	2011	2010
At amortised cost	RM'000	RM'000	RM'000	RM'000
Unquoted securities:				
(In Malaysia)				
Private debt securities	268,806	344,331	268,806	344,331
Loan stock	1,732	1,732	-	-
	270,538	346,063	268,806	344,331
Less: Accumulated impairment	(216,195)	(173,533)	(214,485)	(171,823)
Total financial investments held-to-maturity ("HTM")	149,257	267,766	149,235	267,744

Indicative market value of the securities held-to-maturity are as follows:

	Group		Bank	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Cagamas	96,244	95,562	96,244	95,562
Unquoted private debt securities	58,287	171,956	54,287	171,956
Others	342	219	-	-

Other disclosures

The maturity structure of money market instruments available-for-sale and held-to-maturity are as follows:

	Group		Bank	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
One year to three years	50,390	50,644	50,390	50,644
Three years to five years	79,272	79,419	79,272	79,419
Over five years	5,000	5,000	5,000	5,000
	134,662	135,063	134,662	135,063

7. LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Loans, advances and financing to industries				
- Government Guaranteed	8,427,359	7,619,498	8,427,359	7,619,498
- Others	16,457,105	15,871,440	16,362,694	15,751,957
	24,884,464	23,490,938	24,790,053	23,371,455
Allowance for impaired loans, advances and financing:				
- individual assessment allowance	(1,699,240)	(1,792,620)	(1,604,829)	(1,673,137)
- collective assessment allowance	(716,583)	(660,901)	(716,583)	(660,901)
	(2,415,823)	(2,453,521)	(2,321,412)	(2,334,038)
Net loans, advances and financing to industries	22,468,641	21,037,417	22,468,641	21,037,417
Staff loan	15,557	16,827	15,322	16,613
Loan to subsidiaries	-	-	200,000	271,995
Lease receivable	77,988	95,352	-	-
Block discounting and factoring receivables	66,709	71,186	-	-
Hire purchase receivables	262,090	241,117	-	-
Ijarah receivables	33,253	42,425	-	-
Other loans, advances and financing	455,597	466,907	215,322	288,608
Allowance for impaired loans, advances and financing:				
- individual assessment allowance	(67,325)	(57,061)	-	-
- collective assessment allowance	(11,768)	(12,167)	(4,313)	(4,306)
	(79,093)	(69,228)	(4,313)	(4,306)
Net other loans, advances and financing	376,504	397,679	211,009	284,302
Net loans, advances and financing	22,845,145	21,435,096	22,679,650	21,321,719

31 December 2011 (cont'd)

7. LOANS, ADVANCES AND FINANCING (cont'd)

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Gross loans, advances and financing	25,340,061	23,957,845	25,005,375	23,660,063
Allowance for impaired loans, advances and financing:				
- individual assessment allowance	(1,766,565)	(1,849,681)	(1,604,829)	(1,673,137)
- collective assessment allowance	(728,351)	(673,068)	(720,896)	(665,207)
	(2,494,916)	(2,522,749)	(2,325,725)	(2,338,344)
Net loans, advances and financing	22,845,145	21,435,096	22,679,650	21,321,719

(i) Loans, advances and financing analysed by type are as follows:

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Bai' Bithaman Ajil	471,686	294,050	441,809	251,479
Bai Al-Inah	72,314	72,137	72,314	72,137
Bai Murabahah	7,811	96,583	7,811	96,583
Bai Istisna'	3,014,018	2,193,637	3,014,018	2,193,637
Bridging financing	56,935	99,426	41,646	81,746
Murabahah Dayn	-	7,790	-	7,790
Hire purchase	262,090	241,117	-	-
Factoring	66,709	71,186	-	-
Ijarah	51,638	63,105	18,385	20,680
Ijarah Muntahia Bittamalik	301,881	290,863	301,881	290,863
Infra support loan	151,761	198,106	151,761	198,106
Leasing	77,988	95,353	-	-
Revolving financing	28,097	43,270	-	-
Revolving working capital	143,028	145,767	143,028	145,767
Term loan	20,546,696	19,912,450	20,725,313	20,168,270
Working capital	87,409	133,005	87,409	133,005
Gross loans, advances and financing	25,340,061	23,957,845	25,005,375	23,660,063

7. LOANS, ADVANCES AND FINANCING (cont'd)

(i) Loans, advances and financing analysed by type are as follows: (contd.)

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Allowance for impaired loans, advances and financing:				
- individual assessment allowance	(1,766,565)	(1,849,681)	(1,604,829)	(1,673,137)
- collective assessment allowance	(728,351)	(673,068)	(720,896)	(665,207)
	(2,494,916)	(2,522,749)	(2,325,725)	(2,338,344)
Net loans, advances and financing	22,845,145	21,435,096	22,679,650	21,321,719

(ii) Loans, advances and financing analysed by type of customers are as follows:

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Domestic business enterprises	25,324,504	23,941,018	24,990,053	23,643,450
Individuals	15,557	16,827	15,322	16,613
Gross loans, advances and financing	25,340,061	23,957,845	25,005,375	23,660,063

(iii) Loans, advances and financing analysed by interest/profit rate sensitivity are as follows:

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Fixed rate				
- Housing loans/financing	45,015	24,317	15,322	16,613
- Hire purchase receivables	262,090	241,117	-	-
- Other fixed rate loans/financing	14,239,833	12,668,173	14,196,930	12,619,212
Variable rate				
- Cost plus	2,380,678	2,708,494	2,380,678	2,708,494
- Other variable rates	8,412,445	8,315,744	8,412,445	8,315,744
Gross loans, advances and financing	25,340,061	23,957,845	25,005,375	23,660,063

7. LOANS, ADVANCES AND FINANCING (cont'd)

(iv) Loans, advances and financing analysed by industry are as follows:

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Agriculture, hunting & forestry	2,582	776	-	-
Construction	12,203,177	10,164,643	12,178,224	10,109,884
Education	419,374	294,581	419,374	294,581
Electrical & Electronics	8,604	10,812	8,604	10,812
Electricity, gas and water supply	2,462,683	3,411,926	2,462,565	3,411,528
Finance, Insurance & Business	47,617	63,999	200,000	271,995
Food Processing	-	11,853	-	11,853
Hotel and restraurants	746,568	773,032	746,568	675,246
Housing	22,666	23,265	15,322	16,613
Manufacturing	1,044,340	1,023,598	945,937	914,909
Marine Related	53,488	19,182	53,488	19,182
Materials Technology	22,507	21,766	22,507	21,766
Medical & Pharmaceuticals	55,301	55,340	55,301	55,340
Mining & Quarrying	1,497	2,924	-	-
Other community, social and personal service activities	151,545	69,565	22,667	27,336
Production Engineering	1,627	2,793	1,627	2,793
Public administration and defence	52,250	41,981	52,250	41,981
Real estate, renting and business activities	1,099,435	1,149,325	1,084,702	1,131,926
Shipping	1,797,449	1,346,116	1,797,449	1,346,116
Shipyard	245,772	341,759	245,772	341,759
Transport, storage and communication	4,901,579	5,128,609	4,693,018	4,954,443
Gross loans, advances and financing	25,340,061	23,957,845	25,005,375	23,660,063

(v) The maturity structure of the gross loans, advances and financing is as follows:

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Maturity within one year	3,674,874	3,757,576	3,486,956	3,634,874
One year to three years	4,241,376	3,016,435	4,129,010	2,930,713
Three years to five years	4,674,522	3,924,690	4,488,019	3,745,321
Over five years	12,749,289	13,259,144	12,901,390	13,349,155
	25,340,061	23,957,845	25,005,375	23,660,063

7. LOANS, ADVANCES AND FINANCING (cont'd)

(vi) The loans and advances to subsidiaries are repayable over a period of three to seven years commencing from the date of drawdown and are at interest rates ranging from 3.23% to 3.67% (2010: 3.40% to 3.67%) per annum. Included in these advances is a revolving facility amounting to RM60,000,000 (2010: RM60,000,000) at an interest rate equivalent to the Bank's average return on deposits.

(vii) Movements in impaired loans, advances and financing are as follows:

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2,010 RM'000
At 1 January	2,866,659	4,055,106	2,617,103	3,815,811
Impaired during the year	848,458	1,039,682	770,536	878,924
Reclassified as non-impaired	(81,039)	(1,727,369)	(48,796)	(1,660,098)
Recovered during the year	(238,665)	(204,090)	(184,036)	(143,180)
Amount written off	(308,553)	(296,670)	(308,509)	(274,354)
At 31 December	3,086,860	2,866,659	2,846,298	2,617,103
Gross impaired loans as % of gross loans, advances and financing	12.18%	11.97%	11.38%	11.06%

(viii) Impaired loans, advances and financing analysed by industry as follows:

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2,010 RM'000
Construction	575,424	621,303	561,701	571,787
Education	21,742	22,651	21,742	22,651
Electrical & Electronics	8,604	10,812	8,604	10,812
Electricity, gas and water supply	179,365	117,830	179,365	117,830
Finance, Insurance & Business	13,378	11,576	-	-
Food Processing	-	11,854	-	11,854
Hotel and restaurants	209,260	282,237	209,260	252,246
Housing	12,401	-	-	-
Manufacturing	984,785	749,962	901,057	672,207
Marine Related	-	18,898	-	18,898
Medical & Pharmaceuticals	55,301	55,340	55,301	55,340
Other community, social and personal service activities	64,303	31,273	-	-
Production Engineering	69	9	69	9
Real estate, renting and business activities	322,298	263,413	307,800	246,014
Shipping	503,045	418,838	503,045	418,838
Shipyard	98,354	98,729	98,354	98,729
Transport, storage and communication	38,531	151,934	-	119,888
	3,086,860	2,866,659	2,846,298	2,617,103

7. LOANS, ADVANCES AND FINANCING (cont'd)

(ix) Movements in the allowance for impaired loans, advances and financing are as follows:

	Group		Bank	
	2011	2010	2011	2010
Individual assessment allowance	RM'000	RM'000	RM'000	RM'000
At 1 January	1,849,681	1,810,089	1,673,137	1,592,169
Allowance made during the year	327,981	258,798	314,146	251,604
Allowance made during the year against Infrastructure Support Fund	14,262	100,962	14,262	100,962
Amount written back in respect of recoveries	(106,198)	(27,734)	(77,599)	(2,457)
Amount written off	(319,161)	(292,434)	(319,117)	(269,141)
At 31 December	1,766,565	1,849,681	1,604,829	1,673,137
Collective assessment allowance				
At 1 January	673,068	625,805	665,207	617,557
Allowance made during the year	-	47,672	-	47,672
Allowance made during the year against Infrastructure Support Fund	131,995	-	131,995	-
Amount written back	(76,712)	(409)	(76,306)	(22)
At 31 December	728,351	673,068	720,896	665,207

8. OTHER ASSETS

		Group		Bank	
		2011	2010	2011	2010
	Note	RM'000	RM'000	RM'000	RM'000
Sundry receivables, deposits and prepayment	(i)	106,334	250,953	31,503	46,149
Less: Allowance for doubtful debts		(1,599)	(1,688)	(1,599)	(1,688)
		104,735	249,265	29,904	44,461
Trade receivables		394	4,829	-	-
Amount receivable from Government in respect of compensation for:					
- Foreign exchange differences		76,303	76,765	76,303	76,765
- Infrastructure projects		85,361	85,361	85,361	85,361
Amount due from Minister of Finance Incorporated	(ii)	1,050,693	1,029,607	1,050,693	1,029,607
Subsidiaries	(iii)	-	-	39,031	34,962
Tax recoverable		7,746	-	7,530	-
Pool working fund	(iv)	3,010	2,929	-	-
Foreclosed properties		-	2,617	-	-
Inventories		1,813	1,377	-	-
		1,330,055	1,452,750	1,288,822	1,271,156

8. OTHER ASSETS (cont'd)

(i) Included in the sundry receivables, deposits and prepayments of the Group is an amount due from related parties of Global Maritime Ventures Berhad amounting to RM78,751,000 (2010: RM205,270,000).

(ii) The amount due from Minister of Finance Incorporated relates to proceeds receivable from disposal of the Bank's interest in SME Bank. The amount bears interest of 2% per annum and is repayable via a bullet repayment in 2013.

(iii) The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

(iv) Pool working fund represents advances from subsidiaries to the pool operators for operating funds of the vessels in the pool. These advances are interest free, unsecured and are refundable only upon termination of the pool agreement signed between the subsidiaries with the pool operators.

9. INVESTMENT IN SUBSIDIARIES

	Bank	
	2011 RM'000	2010 RM'000
Unquoted shares, at cost	925,660	862,700
Additional capital contribution due to waiver of debt	68,750	68,570
	994,410	931,270
Less: Impairment losses	(8,668)	(974)
	985,742	930,296

Details of the subsidiaries are disclosed in Note 42.

Acquisition of subsidiary

On 6 October 2011, the Bank acquired 100% equity interest in SME Growth Acceleration Fund Sdn Bhd ("SME GAF"). Upon the acquisition, SME GAF became a subsidiary of the Bank. SME GAF, an unlisted company incorporated in Malaysia, is involved in the venture capital business.

9. INVESTMENT IN SUBSIDIARIES (cont'd)

The fair values of the identifiable assets and liabilities of SME GAF as at the date of acquisition were:

	Bank 2011 RM'000
Assets	
Investment	40,400
Receivables and prepayments	13,658
Cash and cash equivalents	13,619
	67,677
Liabilities	
Accrued expenses	(135)
Liability component on finance cost	(2,507)
	(2,642)
Net identifiable assets	65,035

The total cost of the business combination is financed by cash payment amounting to RM63,140,000.

Negative goodwill arising on acquisition

	2011 RM'000
Group's interest in fair value of net identifiable assets	65,035
Negative goodwill generated from acquisition	(1,895)
Cost of business combination	**63,140**

Impact of acquisition in Statement of comprehensive income

From the date of acquisition, SME GAF has reduced the Group's profit net of tax by RM9,246,000. If the combination had taken place at the beginning of the financial year, the Group's profit from continuing operations, net of tax would have been RM446,034,000 and revenue from continuing operations would have been RM1,885,663.

31 December 2011 (cont'd)

10. INTEREST IN ASSOCIATES

	Group 2011 RM'000	Group 2010 RM'000	Bank 2011 RM'000	Bank 2010 RM'000
At cost:				
Unquoted ordinary shares	230,700	15	15	15
Group's share of retained post acquisition reserve	386	978	-	-
	231,086	993	15	15
Unquoted redeemable preference shares	6,527	5,627	5,627	5,627
	237,613	6,620	5,642	5,642
Less: Accumulated impairment losses	(65,649)	(6,620)	(5,642)	(5,642)
	171,964	-	-	-

(i) Details of the associates are as follows:

Name of Associates (incorporated in Malaysia)	Proportion of Ownership Interest 2011	Proportion of Ownership Interest 2010	Principal Activities
	%	%	
Held by the Bank:			
Ekuiti Teroka (Malaysia) Sdn Bhd	28.6	28.6	Venture capital company
Held through a subsidiary:			
Syarikat Borcos Shipping Sdn Bhd [1]	31.5	-	Ship-owning
Abedeen Hotel Management Sdn Bhd [2]	26.0	-	Hotel Management
Agrotech Farm & Industries Sdn Bhd [2]	26.0	-	Supply of agriculture products
Alpha Interocean Sdn Bhd [2]	26.0	-	Trading of consumable goods
Ambang Wibawa (M) Sdn Bhd [2]	26.0	-	Food supplies and catering services
Arahe Solution Sdn Bhd [2]	26.0	-	Provider of web acceleration systems and Rich Internet Application (RIA) solutions
Cantuman Wawasan Sdn Bhd [2]	26.0	-	Information technology computer network services
Delphax Sdn Bhd [2]	22.0	-	Trading of medical products
Enviro Green Biotech Sdn Bhd [2]	26.0	-	Supply of agricultural product
IIFIN Planners Sdn Bhd [2]	26.0	-	Financial and advisory consultancy services
Internexia Sdn Bhd [2]	26.0	-	Provision of multimedia services
MS Time Ventures Sdn Bhd [2]	26.0	-	Provision of heavy machinery rental services

10. INTEREST IN ASSOCIATES (cont'd)

(i) Details of the associates are as follows: (cont'd)

Name of Associates (incorporated in Malaysia)	Proportion of Ownership Interest 2011	2010	Principal Activities
	%	%	
Held through a subsidiary: (cont'd)			
Nano C Sdn Bhd [2]	26.0	-	Research and development services
Nature's Own Brand Sdn Bhd [2]	26.0	-	Trading of food products
NCM Global Sdn Bhd [2]	26.0	-	Engineering services
Orea Technologies Sdn Bhd [2]	26.0	-	Development of information technology security
Paximej (M) Sdn Bhd [2]	26.0	-	Event management
Sal's Food Industries Sdn Bhd [2]	26.0	-	Manufacturing of food and beverage products
Schiffs & Industries Technic Sdn Bhd [2]	26.0	-	Manufacturing of fuel treatment system for marine
Serene Quest Marine Sdn Bhd	26.0	-	Oil and gas services industries
Profound Vaccine Sdn Bhd [2]	49.0	-	Research and development in vaccination
Sutrasegi Sdn Bhd [2]	26.0	-	Manufacturing of foam rubber product
Swift Application Sdn Bhd [2]	26.0	-	ICT-Product and services
Wellad Communications Sdn Bhd [2]	26.0	-	Advertising agents and creative designer

[1] During the financial year, Global Maritime Venture Berhad, via its subsidiary, GMV-Borcos Sdn Bhd acquired 35% equity interest in Syarikat Borcos Shipping Sdn Bhd. The total cash consideration for the company amounted to RM146,545,000.

[2] Acquired during the year, through acquisition of SME GAF as discussed in Note 9.

The summarised financial statements of the associates are as follows:

	2011 RM'000	2010 RM'000
Assets and liabilities		
Total assets	1,213,240	1,695
Total liabilities	842,767	4
Results:		
Revenue	208,333	8
Profit for the year	96,429	(130)

31 December 2011 (cont'd)

11. INTEREST IN JOINTLY CONTROLLED ENTITIES

	Group 2011 RM'000	Group 2010 RM'000
At cost:		
Unquoted ordinary shares	127,224	100,122
Group's share of retained post acquisition reserve	59,870	31,523
	187,094	131,645
Long term loans to jointly controlled entities	70,132	79,658
	257,226	211,303

(i) Details of the jointly controlled entities are as follows:

Name of Jointly Controlled Entities (incorporated in Malaysia)	Proportion of Ownership Interest 2011	Proportion of Ownership Interest 2010	Principal Activities
	%	%	
Held through a subsidiary:			
Wawasan Bulk Services Sdn Bhd	27.00	27.00	Ship management
Alam Eksplorasi (M) Sdn Bhd	36.00	36.00	Ship-owning, ship operator, ship agency, chartering and other related to shipping industry
Alam Synergy I (L) Inc	36.00	36.00	Ship-owning, ship operator and charter hire of vessel
Alam Synergy II (L) Inc	36.00	36.00	Ship-owning, ship operator and charter hire of vessel
Alam Synergy III (L) Inc	36.00	36.00	Ship-owning, ship operator and charter hire of vessel
Baycorp Ship Management Sdn Bhd	36.00	36.00	Ship management
Gagasan Sembilan Sdn Bhd*	36.00	36.00	Ship-owning
Gagasan Ked Sdn Bhd	54.00	54.00	Ship-owning
Gagasan Paha Sdn Bhd	54.00	54.00	Ship-owning
Formasi Cekal Sdn Bhd	36.00	36.00	Ship-owning, ship operator and to undertake all kinds of contract to carry merchant goods
Orkim Leader Sdn Bhd	36.00	36.00	Ship-owning and freighting

11. INTEREST IN JOINTLY CONTROLLED ENTITIES (cont'd)

(ii) Details of the jointly controlled entities are as follows: (cont'd)

Name of jointly controlled entities (incorporated in Malaysia)	Proportion of Ownership Interest 2011	2010	Principal Activities
	%	%	
Held through a subsidiary: (cont'd)			
Orkim Power Sdn Bhd	36.00	36.00	Ship-owning and freighting
Orkim Merit Sdn Bhd	36.00	36.00	Ship-owning and freighting
Orkim Express Sdn Bhd	36.00	36.00	Ship-owning and freighting
Orkim Challenger Sdn Bhd	54.00	54.00	Ship-owning and freighting
Orkim Discovery Sdn Bhd	54.00	54.00	Ship-owning and freighting
Orkim Reliance Sdn Bhd	54.00	54.00	Ship-owning and freighting
JM Global 1 (Labuan) Plc	44.10	44.10	Ship-owning and freighting
JM Global 2 (Labuan) Plc	44.10	44.10	Ship-owning and freighting
JM Global 3 (Labuan) Plc	44.10	44.10	Ship-owning and freighting
JM Global 4 (Labuan) Plc	44.10	44.10	Ship-owning and freighting
Omni Offshore (L) Inc **	-	36.00	Ship-owning and freighting
Global BMesra Sdn Bhd	44.10	44.10	Ship-owning and freighting
Global BMesra Dua Sdn Bhd	44.10	44.10	Ship-owning and freighting
Global BIkhlas Sdn Bhd	44.10	44.10	Ship-owning and freighting
Sea Weasel Ltd	44.10	44.10	Ship-owning and freighting
Rimbun Astana Sdn Bhd	36.00	-	Ship-owning and freighting

* In the process of winding up

** Disposed to Omni Petromaritime Sdn Bhd on 15 September 2011

11. INTEREST IN JOINTLY CONTROLLED ENTITIES (cont'd)

(ii) Details of the jointly controlled entities are as follows: (cont'd)

The voting rights for all the jointly controlled entities mentioned above are equal for both the joint venture parties.

During the financial year.

(a) Global Maritime Venture Berhad ("GMV"), via its subsidiary, GMV-Alam Sdn Bhd subscribed 40% of 8,000,000 units of Redeemable Preference Shares(RPS) which is 3,200,000 units of RPS of RM0.01 each at a premium of RM0.99 per share issued by Alam Synergy III based on GMV-Alam's shareholding.

(b) GMV entered into a joint venture agreement with Offshoreworks Sdn Bhd and Amir Ruddin Bin Salleh via its wholly owned subsidiary, GMV-Offshore Sdn Bhd to set up a new joint venture ship-owning company, Rimbun Astana Sdn Bhd with a subscription of 40% equity interest. The total cash consideration for the company amounted to RM8,217,657.

(c) A subsidiary of GMV, GMV-Jasa Sdn Bhd increased its investment in JM Global 3 (Labuan) PLC and JM Global 4 (Labuan) PLC in the form of additional equity participation, for a total contribution to RM13,916,000. The effective interest in these companies remain unchanged.

(d) A subsidiary of GMV, GMV-Omni Sdn Bhd disposed its existing 40% equity interest in Omni Offshore (L) Inc.

The Group's aggregate share of current assets, non-current assets, current liabilities and results of the jointly controlled entities is as follows:

	2011 RM'000	2010 RM'000
Assets:		
Non-current assets	656,534	562,083
Current assets	114,645	100,641
Total assets	771,179	662,724
Liabilities:		
Non-current liabilities	367,032	259,383
Current liabilities	235,029	271,696
Total liabilities	602,061	531,079
Results:		
Revenue	129,297	64,889
Profit for the year	20,506	9,706

31 December 2011 (cont'd)

12. PROPERTY, PLANT AND EQUIPMENT

Group 2011	Freehold land RM'000	Buildings RM'000	Furniture and equipment RM'000	Motor vehicle RM'000	Mechanical and electricals RM'000	Vessels RM'000	Capital work-in progress RM'000	Dry-docking expenses RM'000	Total RM'000
Cost									
At 1 January	19,909	82,125	44,287	2,294	37,395	783,726	7,777	38,678	1,016,191
Additions	-	8,350	874	924	-	9,288	4,930	19,838	44,204
Disposal/write-off	-	(2,750)	(69)	(424)	-	(18)	-	-	(3,261)
Transfer to assets held for sale	-	-	-	-	-	(123,303)	-	(10,282)	(133,585)
Effect of movements in exchange rates	-	-	-	-	-	21,284	-	988	22,272
Reclassification	-	-	5,270	-	-	-	(5,270)	-	-
At 31 December	19,909	87,725	50,362	2,794	37,395	690,977	7,437	49,222	945,821
Accumulated depreciation									
At 1 January	-	11,537	37,281	1,526	14,435	369,457	-	21,959	456,195
Charge for the year	-	1,614	4,384	249	5,610	32,580	-	13,345	57,782
Disposals/write-off	-	(743)	(53)	(357)	-	-	-	-	(1,153)
Transfer to assets held for sale	-	-	-	-	-	(69,170)	-	(9,127)	(78,297)
Effect of movements in exchange rates	-	-	-	-	-	14,602	-	1,010	15,612
At 31 December	-	12,408	41,612	1,418	20,045	347,469	-	27,187	450,139
Accumulated impairment losses									
At 1 January	-	-	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	40,406	-	-	40,406
Transfer to assets held for sale	-	-	-	-	-	(30,707)	-	-	(30,707)
At 31 December	-	-	-	-	-	9,699	-	-	9,699
Net carrying amount	19,909	75,317	8,750	1,376	17,350	333,809	7,437	22,035	485,983

12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group 2010	Freehold land RM'000	Buildings RM'000	Furniture and equipment RM'000	Motor vehicle RM'000	Mechanical and electricals RM'000	Vessels RM'000	Capital work-in progress RM'000	Dry-docking expenses RM'000	Total RM'000
Cost									
At 1 January	19,909	82,125	50,870	2,937	37,438	1,042,501	5,769	32,125	1,273,674
Additions	-	-	2,379	796	44	3,447	2,008	17,526	26,200
Disposal/write-off	-	-	(1,286)	(1,439)	(87)	(178,643)	-	(5,321)	(186,776)
Effect of movements in exchange rates	-	-	-	-	-	(83,579)	-	(5,652)	(89,231)
Transfer to intangible asset	-	-	(7,676)	-	-	-	-	-	(7,676)
At 31 December	19,909	82,125	44,287	2,294	37,395	783,726	7,777	38,678	1,016,191
Accumulated depreciation									
At 1 January	-	9,992	37,077	2,725	8,851	455,161	-	21,819	535,625
Charge for the year	-	1,545	5,358	240	5,609	35,101	-	10,159	58,012
Disposals/write-off	-	-	(968)	(1,439)	(25)	(82,277)	-	(5,091)	(89,800)
Effect of movements in exchange rates	-	-	-	-	-	(38,528)	-	(4,928)	(43,456)
Transfer to intangible asset	-	-	(4,186)	-	-	-	-	-	(4,186)
At 31 December	-	11,537	37,281	1,526	14,435	369,457	-	21,959	456,195
Net carrying amount	19,909	70,588	7,006	768	22,960	414,269	7,777	16,719	559,996

12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Bank 2011	Freehold land RM'000	Buildings RM'000	Furniture and equipment RM'000	Mechanical and Electricals RM'000	Motor vehicles RM'000	Capital work-in progress RM'000	Total RM'000
Cost							
At 1 January	19,740	76,521	23,681	37,395	1,572	2,730	161,639
Additions	-	8,350	715	-	599	4,930	14,594
Disposals/write off	-	(2,750)	(16)	-	(340)	-	(3,106)
Reclassification	-	-	5,270	-	-	(5,270)	-
At 31 December	19,740	82,121	29,650	37,395	1,831	2,390	173,127
Accumulated depreciation							
At 1 January	-	5,927	18,007	14,436	1,053	-	39,423
Charge for the year	-	1,612	3,850	5,610	166	-	11,238
Disposals/write off	-	(743)	(5)	-	(340)	-	(1,088)
At 31 December	-	6,796	21,852	20,046	879	-	49,573
Net carrying amount	19,740	75,325	7,798	17,349	952	2,390	123,554

31 December 2011 (cont'd)

12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Bank 2010	Freehold land RM'000	Buildings RM'000	Furniture and equipment RM'000	Mechanical and Electricals RM'000	Motor vehicles RM'000	Capital work-in progress RM'000	Total RM'000
Cost							
At 1 January	19,740	76,521	28,605	37,438	2,212	722	165,238
Additions	-	-	1,556	44	627	2,008	4,235
Disposals/write off	-	-	(554)	(87)	(1,267)	-	(1,908)
Transfer to intangible asset	-	-	(5,926)	-	-	-	(5,926)
At 31 December	19,740	76,521	23,681	37,395	1,572	2,730	161,639
Accumulated depreciation							
At 1 January	-	4,385	18,141	8,852	2,206	-	33,584
Charge for the year	-	1,542	3,801	5,609	114	-	11,066
Disposals/write off	-	-	(467)	(25)	(1,267)	-	(1,759)
Transfer to intangible asset	-	-	(3,468)	-	-	-	(3,468)
At 31 December	-	5,927	18,007	14,436	1,053	-	39,423
Net carrying amount	19,740	70,594	5,674	22,959	519	2,730	122,216

13. PREPAID LAND LEASE

	Group and Bank 2011 RM'000	2010 RM'000
Cost		
At 1 January	5,521	5,521
Disposals	(1,012)	-
At 31 December	4,509	5,521
Depreciation		
At 1 January	1,720	1,610
Charge for the year	110	110
Disposals	(371)	-
At 31 December	1,459	1,720
Carrying amount	3,050	3,801

14. INVESTMENT PROPERTIES

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cost				
At 1 January	24,750	24,750	10,538	10,538
At 31 December	24,750	24,750	10,538	10,538
Depreciation and impairment loss				
At 1 January	7,282	6,884	2,448	2,271
Charge for the year	446	398	177	177
At 31 December	7,728	7,282	2,625	2,448
Carrying amount	17,022	17,468	7,913	8,090
Included in the above are:				
Freehold land	3,339	3,339	1,683	1,683
Buildings	13,683	14,129	6,230	6,407
	17,022	17,468	7,913	8,090

(i) The Directors of the Group and the Bank estimated the fair values of the investment properties of the Group and the Bank is RM26,174,000 (2010: RM22,577,000) and RM15,674,000 (2010: RM14,874,000) respectively based on comparison with indicative market value stated in the Property Market Report 2011.

31 December 2011 (cont'd)

15. INTANGIBLE ASSETS

	Group 2011 RM'000	Group 2010 RM'000	Bank 2011 RM'000	Bank 2010 RM'000
Cost				
At 1 January	7,676	-	5,926	-
Additions	3,370	-	3,370	-
Transfer from property, plant and equipment	-	7,676	-	5,926
At 31 December	11,046	7,676	9,296	5,926
Amortisation				
At 1 January	5,363	-	4,645	-
Transfer from property, plant and equipment	-	4,186	-	3,468
Amortisation charged	1,452	1,177	1,113	1,177
At 31 December	6,815	5,363	5,758	4,645
Carrying amount	4,231	2,313	3,538	1,281

16. DEFERRED TAX ASSETS/(LIABILITIES)

	Group 2011 RM'000	Group 2010 RM'000	Bank 2011 RM'000	Bank 2010 RM'000
At 1 January	128,332	135,193	139,224	114,272
Recognised in income statement	(181,305)	(2,429)	(184,015)	(1,002)
Recognised in equity	56,889	(4,432)	57,392	25,954
At 31 December	3,916	128,332	12,601	139,224
Presented after appropriate offsetting as follows:				
Deferred tax assets	12,601	139,224	12,601	139,224
Deferred tax liabilities	(8,685)	(10,892)	-	-
	3,916	128,332	12,601	139,224

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relates to the same fiscal authority.

16. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group:

	Loan loss and allowances RM'000	Impairment loss on securities RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2011	240,913	-	176	241,089
Recognised in income statement	(185,293)	-	-	(185,293)
At 31 December2011	55,620	-	176	55,796
At 1 January 2010	228,850	9,616	12	238,478
Recognised in income statement	12,063	(9,616)	164	2,611
At 31 December 2010	240,913	-	176	241,089

Deferred tax liabilities of the Group:

	Unrealised holding reserve RM'000	Property, plant and equipment RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2011	97,004	15,753	(32)	112,757
Recognised in income statement	-	(4,020)	32	(3,988)
Recognised in equity	(56,889)	-	-	(56,889)
At 31 December 2011	40,115	11,733	-	51,880
At 1 January 2010	92,572	10,713	-	103,285
Recognised in income statement	-	5,040	-	5,040
Recognised in equity	4,432	-	-	4,432
At 31 December 2010	97,004	15,753	-	112,757

16. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

Deferred tax assets of the Bank:

	Loan loss and allowances RM'000	Impairment loss on securities RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2011	240,443	-	365	240,808
Recognised in income statement	(185,293)	-	-	(185,293)
At 31 December 2011	55,150	-	365	55,515
At 1 January 2010	228,380	9,626	201	238,207
Recognised in income statement	12,063	(9,626)	164	2,601
At 31 December 2010	240,443	-	365	240,808

Deferred tax liabilities of the Bank:

	Unrealised holding reserve RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 January 2011	97,004	4,580	101,584
Recognised in income statement	-	(1,278)	(1,278)
Recognised in equity	(57,392)	-	(57,392)
At 31 December 2011	39,612	3,302	42,914
At 1 January 2010	122,958	977	123,935
Recognised in income statement	-	3,603	3,603
Recognised in equity	(25,954)	-	(25,954)
At 31 December 2010	97,004	4,580	101,584

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2011 RM'000	2010 RM'000
Unutilised tax losses	16,139	54,836
Unabsorbed capital allowances	13,388	10,663
	29,527	65,499

The unutilised tax losses and unabsorbed capital allowances of the Group are available for offsetting against future taxable profits subject to no substantial change in shareholdings under the Income Tax Act, 1967 and guidelines issued by the tax authority.

31 December 2011 (cont'd)

17. DEPOSITS FROM CUSTOMERS

	Group 2011 RM'000	Group 2010 RM'000	Bank 2011 RM'000	Bank 2010 RM'000
Fixed deposits and negotiable instruments of deposits				
- One year or less	6,959,773	7,486,357	6,959,773	7,486,357
- More than one year	-	-	-	-
	6,959,773	7,486,357	6,959,773	7,486,357

(a) The deposits are sourced from the following types of deposit:

	Group 2011 RM'000	Group 2010 RM'000	Bank 2011 RM'000	Bank 2010 RM'000
Non-Mudharabah				
- Others	5,310,983	6,656,655	5,310,983	6,656,655
Mudharabah				
- General investment deposits	1,648,790	829,702	1,648,790	829,702
	6,959,773	7,486,357	6,959,773	7,486,357

(b) The deposits are sourced from the following types of customers:

	Group 2011 RM'000	Group 2010 RM'000	Bank 2011 RM'000	Bank 2010 RM'000
Business enterprises	2,712,845	3,684,891	2,712,845	3,684,891
Government and statutory bodies	4,246,928	3,801,466	4,246,928	3,801,466
	6,959,773	7,486,357	6,959,773	7,486,357

(c) The deposits maturity structure are as follows:

	Group 2011 RM'000	Group 2010 RM'000	Bank 2011 RM'000	Bank 2010 RM'000
Less than six months	6,738,417	6,667,134	6,738,417	6,667,134
Six months to one year	221,356	819,223	221,356	819,223
	6,959,773	7,486,357	6,959,773	7,486,357

31 December 2011 (cont'd)

18. OTHER LIABILITIES

	Group 2011 RM'000	Group 2010 RM'000	Bank 2011 RM'000	Bank 2010 RM'000
Amount due to related companies	2,247	9,820	-	-
Provision for taxation	4,810	32,558	-	30,958
Provision for zakat	2,400	2,458	2,400	2,458
Trade creditors	4,541	7,769	3,115	2,874
Sundry creditors and accruals	101,818	122,348	24,291	37,956
Profit equalisation reserve (Note 18 (i))	2,188	-	2,188	-
Dividend payable	2,400	2,400	-	-
	120,404	177,353	31,994	74,246

The amount due to related companies and minority shareholder's advances to subsidiaries are unsecured, non-interest bearing and are repayable on demand.

(i) Movement in profit equalisation reserve ("PER")

	Group 2011 RM'000	Group 2010 RM'000	Bank 2011 RM'000	Bank 2010 RM'000
At 1 January	-	1,071	-	1,071
Provided during the year	2,188	21,219	2,188	21,219
Written back during the year	-	(22,290)	-	(22,290)
At 31 December	2,188	-	2,188	-

* PER at the end of the financial year of which the shareholders' portion is RM1,562,804 (2010: NIL).

19. REDEEMABLE NOTES

	Group and Bank 2011 RM'000	Group and Bank 2010 RM'000
Redeemable non guaranteed notes		
Medium term notes*	808,812	1,010,674
	808,812	1,010,674

19. REDEEMABLE NOTES (CONT'D)

	Group and Bank 2011 RM'000	2010 RM'000
Redeemable guaranteed notes		
Medium term notes-GGC**	2,017,875	2,017,876
Medium term notes-GGM***	503,994	503,994
	2,521,869	2,521,870
Infrastructure notes - nominal value****	911,126	1,012,116
Less: Unamortised discount	(7,751)	(8,713)
	903,375	1,003,403
	4,234,056	4,535,947
Discount upon issuance	18,500	18,500
Amortisation to date	(10,749)	(9,787)
Unamortised discount	7,751	8,713

* These notes carry coupon rates ranging between 5.70% to 6.30% (2010: 5.00% to 6.30%) per annum and are for tenures of 10 years to 15 years.

** These notes were issued on 12 April 2010 and are guaranteed by the Government of Malaysia. These 3 years and 5 years notes carry coupon rates of 3.66% per annum (RM500.0 million) and 4.15% per annum (RM1.50 billion) respectively.

*** These notes were issued on 12 April 2010 and are guaranteed by the Government of Malaysia. These 3 years notes carry profit rates of 3.64% per annum.

**** These notes are guaranteed by the Government of Malaysia. These 15 years and 25 years notes carry coupon rates of 7.00% and 7.50% per annum (2010: 7.00% and 7.50%) respectively.

31 December 2011 (cont'd)

20. TERM LOANS

Group	2011 Due after twelve months RM'000	2011 Due within twelve months RM'000	2010 Due after twelve months RM'000	2010 Due within twelve months RM'000
Loans from Government of Malaysia				
- Unsecured: (Note 20(a))				
Principal	776,088	-	764,935	-
Interest	2,152	-	2,152	-
	778,240	-	767,087	-
Loans from Employees Provident Fund				
- Unsecured: (Note 20(b))				
Principal	8,300,000	-	7,150,000	-
Interest	-	61,338	-	56,922
	8,300,000	61,338	7,150,000	56,922
Other loans				
- Unsecured: (Note 20(c))				
Principal	1,123,265	322,357	1,354,816	266,550
Interest	-	19,232	-	19,517
	1,123,265	341,589	1,354,816	286,067
Other loans				
- Secured: (Note 20(d))				
Principal	183,111	22,809	243,597	43,169
	10,384,616	425,736	9,515,500	386,158

	2011 RM'000	2010 RM'000
Total term loans	10,810,352	9,901,658

31 December 2011 (cont'd)

20. TERM LOANS (cont'd)

	2011		2010	
Bank	Due after twelve months RM'000	Due within twelve months RM'000	Due after twelve months RM'000	Due within twelve months RM'000
Loans from Government of Malaysia				
- Unsecured: (Note 20(a))				
Principal	776,088	-	764,935	-
Interest	2,152	-	2,152	-
	778,240	-	767,087	-
Loans from Employees Provident Fund				
- Unsecured: (Note 20(b))				
Principal	8,300,000	-	7,150,000	-
Interest	-	61,338	-	56,922
	8,300,000	61,338	7,150,000	56,922
Other loans				
- Unsecured: (Note 20(c))				
Principal	1,123,265	322,357	1,354,816	266,550
Interest	-	19,232	-	19,517
	1,123,265	341,589	1,354,816	286,067
	10,201,505	402,927	9,271,903	342,989

	2011 RM'000	2010 RM'000
Total term loans	10,604,432	9,614,892

20. TERM LOANS (cont'd)

(a) Loans from Government of Malaysia

The loans from the Government of Malaysia due after twelve months are repayable as follows:

	Group and Bank Principal	
	2011	2010
Year due	RM'000	RM'000
Due after year end	776,088	764,935

Interest on the loan is charged at rates of 0% to 2.00% (2010: 0% to 2.00%) per annum.

(b) Loan from Employee Provident Fund

		Group and Bank Principal	
		2011	2010
	Note	RM'000	RM'000
Loan 1	20(b)(i)	2,000,000	2,000,000
Loan 2	20(b)(ii)	2,800,000	2,800,000
Loan 3	20(b)(iii)	500,000	350,000
Loan 4	20(b)(iv)	1,000,000	1,000,000
Loan 5	20(b)(v)	1,000,000	1,000,000
Loan 6	20(b)(vi)	1,000,000	-
		8,300,000	7,150,000

(i) The loan is repayable in 5 equal installments over a period of 5 years, commencing 2019.

(ii) On 27 May 2010, the facility has been revised to 5 years maturity (bullet repayment in year 2015).

(iii) The loan is repayable in 10 equal installments over a period of 5 years, commencing 2024.

(iv) The loan was drawn down on 7 July 2010 and is repayable via bullet repayment in July 2015.

(v) The loan was drawn down on 6 December 2010 and is repayable via bullet repayment in December 2015.

(vi) The loan was drawn down on 5 December 2011 and is repayable via bullet repayment in December 2016.

All the above loans are guaranteed by the Government of Malaysia and bear interest at rates of 3.746% to 5.225% (2010: 3.840% to 5.225%) per annum.

20. TERM LOANS (cont'd)

(c) Other Loan - unsecured:

	Note	Group and Bank Principal 2011 RM'000	2010 RM'000
Loan from:			
Japan Bank of International Corporation	20(c)(i)	797,119	974,110
Export Credit Agency	20(c)(ii)	44,378	132,912
Pension Trust Fund Council	20(c)(iii)	500,000	500,000
Bank Negara Malaysia	20(c)(iv)	-	219
Pusat Tenaga Malaysia	20(c)(v)	4,125	14,125
AmBank Berhad	20(c)(vi)	50,000	-
Bank of Tokyo Mitsubishi Malaysia Berhad	20(c)(vii)	50,000	-
		1,445,622	1,621,366

Included in other loan - unsecured are:

(i) IT7 Loan from Japan Bank for International Cooperation amounting to RM797,118,613 (¥24,678,104,000) [2010: RM975,358,689 (¥30,184,638,000)] out of total loan facility of RM1,747,580,000 (¥59,000,000,000). The loan will mature in March 2017.

(ii) Loan from Export Credit Agency ("ECA") lenders amounting to RM44,377,755 (€10,832,034) [2010: RM132,912,302 (€32,496,098)]. This loan is repayable in semiannual instalments of Ringgit Malaysia equivalent of €10,832,034 and will mature in June 2012.

(iii) Loan from Pension Trust Fund amounting to RM500,000,000 (2010: RM500,000,000) is repayable in 12 instalments over a period of 6 years, commencing from 2015. This loan will mature in 2020.

(iv) Loan from Bank Negara Malaysia ("BNM") amounting RM219,080 was fully settled in November 2011 (2010: RM219,080).

(v) Loans from Pusat Tenaga Malaysia amounting to RM4,124,970 (2010: RM14,124,970).

(vi) Revolving Credit ("RC") Facility from AmBank Berhad ("AmBank") amounting to RM50,000,000. This facility will mature in January 2012.

(vii) Revolving Credit ("RC") Facility Bank of Tokyo Mitsubishi Malaysia Berhad ("BOT") amounting to RM50,000,000. This facility will mature in January 2012.

Loans from Japan Bank for International Cooperation and ECA Lenders are guaranteed by Government of Malaysia. The interest rates on other loans - unsecured range from 0% to 5.875% (2010: 0% to 5.875%) per annum during the year.

20. TERM LOANS (cont'd)

(d) Other Loan - secured:

	Note	Group Principal 2011 RM'000	Group Principal 2010 RM'000
Term loan 1	20(d)(i)	205,920	286,766
		205,920	286,766

Included in other loan - secured of the Group are:

(i) Loans for tankers are secured by a first preferred cross-collaterised mortgage of the vessel, an assignment of earnings derived from the pool and insurance of the vessels concerned.

21. INFRASTRUCTURE SUPPORT FUND

	Group and Bank 2011 RM'000	Group and Bank 2010 RM'000
At 1 January	380,294	533,304
Net receivable during the year	19,636	32,910
Transferred from deferred income	152,232	-
Allowance made during the year against Infrastructure Support Fund	(146,257)	(100,962)
Impairment of financial investments made during the year against Infrastructure Support Fund	(43,684)	(84,958)
Loan written off during the year against Infrastructure Support Fund	(131,939)	-
Recoverable from loan written off	10,608	-
Individual assessment allowance written back	172,406	-
At 31 December	413,296	380,294

Included in Infrastructure Support Fund of the Group and of the Bank are amount of RM296,671,024 (2010: RM277,034,712) relating to the claims from the Government on interest rate differential and forex losses are restricted from being used in other operations.

21. INFRASTRUCTURE SUPPORT FUND (cont'd)

The Government provides funds to the Bank in relation to its mandate to provide financing for Government infrastructure projects. The amounts received are non-repayable and are accounted for during the year as follows:

(i) amounts to compensate against related costs are recognised in the income statement in relation to infrastructure financing.

(ii) amounts utilised for purpose of payments on financing costs relating to the funding for an infrastructure loan are transferred to Infrastructure Support Fund.

The amount was accounted as at 31 December as follows:

	2011 RM'000	2010 RM'000
Amount received/receivable from Government during the year	20,086	15,794
Amount matched against costs and recognised as income	(450)	17,116
Transferred to Infrastructure Support Fund	(19,636)	(32,910)
	-	-

22. DEFERRED INCOME

	Group and Bank	
	2011 RM'000	2010 RM'000
At 1 January	292,208	152,232
Received from Government during the year	104,458	151,886
Transferred to Infrastructure Support Fund	(152,232)	-
Utilised during the year	(11,429)	(11,910)
At 31 December	233,005	292,208

Deferred income comprises claims received in relation to interest rate differentials on financing of Government Infrastructure projects.

23. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Authorised	10,000,000	10,000,000	10,000,000	10,000,000
Issued and fully paid	3,078,724	3,078,724	3,078,724	3,078,724

31 December 2011 (cont'd)

24. RESERVES

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Non-distributable:				
Capital reserve	1,000	1,000	-	-
Statutory reserve	1,654,896	1,539,362	1,654,896	1,539,362
Unrealised holding reserve	(5,113)	173,735	111,618	291,014
Exchange translation reserve	(55,503)	(48,429)	-	-
	1,595,280	1,665,668	1,766,514	1,830,376
Distributable:				
Retained profits (Note 25)	2,559,894	2,294,189	2,206,047	1,959,446
	4,155,174	3,959,857	3,972,561	3,789,822

The capital reserve of the Group arose from the capitalisation of bonus issue in certain subsidiaries in previous years.

The statutory reserves are maintained in compliance with the requirements of Section 39 of Development Financial Institution Act 2002 ("the Act") and are not distributable as cash dividends. Under the Act, the Bank is required to transfer at least 25% of its profit after tax, as the statutory reserves is more than 50% but less than 100% of its paid up capital.

Unrealised holding reserve represent the cumulative fair value changes, net of tax, of available for-sale financial assets until they are disposed or impaired.

The exchange translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

25. RETAINED EARNINGS

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

As at 31 December 2011, the Bank did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Bank may utilise the credit in the 108 balance to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007.

31 December 2011 (cont'd)

26. INTEREST INCOME

	Group 2011 RM'000	Group 2010 RM'000	Bank 2011 RM'000	Bank 2010 RM'000
Loans, advances and financing	1,142,341	1,067,633	1,113,744	1,044,862
Compensation from the Government	153,894	153,513	153,894	153,513
Money at call and deposit placement with financial institutions	80,188	53,230	55,877	27,675
Financial investments available-for-sale ("AFS")	44,814	66,747	44,814	66,747
Financial investments held-to-maturity ("HTM")	8,021	10,122	8,021	10,122
	1,429,258	1,351,245	1,376,350	1,302,919
Amortisation of premium less accretion of discount	18,395	15,109	18,395	15,109
	1,447,653	1,366,354	1,394,745	1,318,028
Of which:				
Interest income earned on impaired loans, advances and financing	81,222	34,492	81,222	34,492

Included in the interest income from loans, advances and financing of the Bank is interest income from a subsidiary amounting to RM9,254,516 (2010: RM12,059,818).

27. INTEREST EXPENSE

	Group 2011 RM'000	Group 2010 RM'000	Bank 2011 RM'000	Bank 2010 RM'000
Deposits and acceptances	191,303	194,604	190,815	194,604
Term loans	356,400	315,388	356,591	315,367
Redeemable notes	181,145	166,922	181,145	166,922
Others	2,755	794	2,006	-
	731,603	677,708	730,557	676,893

28. NON-INTEREST INCOME

	Group 2011 RM'000	Group 2010 RM'000	Bank 2011 RM'000	Bank 2010 RM'000
(a) Other operating income:				
Charter hire, demurrage and freight income	78,222	107,930	-	-
	78,222	107,930	-	-

28. NON-INTEREST INCOME (cont'd)

	Group 2011 RM'000	Group 2010 RM'000	Bank 2011 RM'000	Bank 2010 RM'000
(b) Investment income:				
Gain/(loss) on sale of:				
- financial investments available-for-sale ("AFS")	(3,144)	5,382	(3,144)	5,382
Gross dividends from:				
- financial investments available-for-sale ("AFS")	18,395	27,592	18,395	27,592
- subsidiaries	-	-	21,600	21,600
Impairment for:				
- investment in associates	-	(978)	-	-
	15,251	31,996	36,851	54,574
(c) Other income:				
Fee income	19,427	17,206	14,061	10,555
Rental income:				
- subsidiaries	-	-	1,037	512
- others	2,720	2,851	2,452	2,500
Gain on disposal of property, plant and equipment	1,293	28,300	1,293	211
Gain on disposal of prepaid land lease	4,198	-	4,198	-
(Loss)/gain on foreign exchange:				
- realised	(1,037)	(1,017)	(1,387)	(74)
- unrealised	(6,000)	24,952	(6,000)	24,952
Compensation from the Government:				
- Infrastructure Support Fund ("ISF") for allowance made written back	(172,406)	-	(172,406)	-
- allowance on impaired loans made during the year against ISF	146,257	100,962	146,257	100,962
- loan written off during the year against ISF	131,939	-	131,939	-
- recoverable from loan written off against ISF	(10,608)	-	(10,608)	-
- financial investments impairment made during the year against ISF	43,684	84,958	43,684	84,958
- on foreign exchange	1,319	4,012	1,319	4,012
Interest income on amount due from Minister of Finance Incorporated	9,898	8,625	9,898	8,625
Negative goodwill	1,895	-	-	-
Others	9,361	568	18	17
	181,940	271,417	165,755	237,230
Total non-interest income	275,413	411,343	202,606	291,804

29. OVERHEAD EXPENSES

	Note	Group 2011 RM'000	Group 2010 RM'000	Bank 2011 RM'000	Bank 2010 RM'000
Personnel costs	(i)	69,992	86,751	33,299	47,839
Establishment related expenses	(ii)	80,076	63,446	18,361	15,763
Promotion and marketing expenses	(iii)	2,400	1,488	2,339	1,348
General administrative expenses	(iv)	54,398	86,051	16,332	17,951
		206,866	237,736	70,331	82,901
(i) Personnel costs					
Salaries, allowances and bonuses		59,421	63,125	24,839	32,922
Social security cost		587	257	184	201
Pension costs - Defined contribution plan		4,628	4,962	3,822	4,165
Compensation for loss employment		(286)	6,400	(286)	6,400
Other staff related expenses		5,642	12,007	4,740	4,151
		69,992	86,751	33,299	47,839
(ii) Establishment related expenses					
Depreciation:					
- Property, plant and equipment		57,782	58,012	11,238	11,066
- Investment properties		446	398	177	177
Amortisation of:					
- Prepaid lease rental		110	110	110	110
- Intangible assets		1,452	1,177	1,113	1,177
Rental of leasehold land and premises		-	74	-	76
Repairs and maintenance of property, plant and equipment		15,233	1,979	1,689	1,789
Information technology expenses		5,053	1,696	4,034	1,368
		80,076	63,446	18,361	15,763
(iii) Promotion and marketing expenses					
Advertisement and publicity		2,400	1,488	2,339	1,348
(iv) General administrative expenses					
General administrative expenses		53,691	85,287	16,017	17,577
Auditors' remuneration:					
Statutory audit:					
- Current year		584	525	230	215
- Other services		123	163	85	83
Property, plant and equipment written off		-	76	-	76
		54,398	86,051	16,332	17,951

31 December 2011 (cont'd)

30. DIRECTORS' FEES AND REMUNERATION

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows:

Group 2011	Remuneration received from the Bank						Remuneration received Subsidiary Companies			
	Salary RM'000	Fees RM'000	Bonus RM'000	Other Emolu-ments RM'000	Benefits-in-kind RM'000	Bank Total RM'000	Fees RM'000	Other Emolu-ments RM'000	Benefits-in-kind RM'000	Group Total RM'000
Executive Director:										
Dato' Mohd Zafer bin Mohd Hashim	564	-	180	106	5	855	-	-	-	855
	564	-	180	106	5	855	-	-	-	855
Non-Executive Directors:										
Tan Sri Dr. Abdul Samad bin Hj Alias	-	70	-	14	4	88	84	15	-	187
Dato' Mohammed bin Haji Che Hussein	-	35	-	9	1	45	-	-	-	45
Siti Zauyah binti Md Desa	-	12	-	38	-	50	-	5	-	55
Zainul Rahim bin Mohd Zain	-	12	-	44	-	56	-	-	-	56
A Ghani bin Ishak	-	2	-	5	-	7	2	1	-	10
Tan Sri Faizah binti Mohd Tahir	-	12	-	41	-	53	-	-	-	53
Dato' Dr. Syed Jaafar bin Syed Aznan	-	12	-	32	-	44	-	-	-	44
Datuk Idris bin Abdullah @ Das Murthy	-	12	-	18	-	30	-	15	-	45
Rosli bin Abdullah	-	12	-	29	-	41	-	-	-	41
Abdul Aziz bin Ishak	-	3	-	4	-	7	-	-	-	7
	-	182	-	234	5	421	86	36	-	543
Total Directors' remuneration	564	182	180	340	10	1,276	86	36	-	1,398

31 December 2011 (cont'd)

30. DIRECTORS' FEES AND REMUNERATION (cont'd)

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows:

Group 2010	Remuneration received from the Bank						Remuneration received Subsidiary Companies			
	Salary RM'000	Fees RM'000	Bonus RM'000	Other Emolu-ments RM'000	Benefits-in-kind RM'000	Bank Total RM'000	Fees RM'000	Other Emolu-ments RM'000	Benefits-in-kind RM'000	Group Total RM'000
Executive Director:										
Dato' Mohd Zafer bin Mohd Hashim	540	-	-	81	5	626	-	-	-	626
	540	-	-	81	5	626	-	-	-	626
Non-Executive Directors:										
Datuk Dr. Abdul Samad bin Hj Alias	-	120	-	25	5	150	60	8	-	218
Siti Zauyah binti Md Desa	-	12	-	36	-	48	-	2	-	50
Zainul Rahim bin Mohd Zain	-	10	-	29	-	39	-	-	-	39
A Ghani bin Ishak	-	10	-	24	-	34	-	-	-	34
Tan Sri Faizah binti Mohd Tahir	-	7	-	10	-	17	10	8	-	35
Dato' Dr. Syed Jaafar bin Syed Aznan	-	7	-	10	-	17	-	-	-	17
Datuk Idris bin Abdullah @ Das Murthy	-	1	-	1	-	2	-	-	-	2
Rosli bin Abdullah	-	-	-	-	-	-	-	-	-	-
Mohd Zarif Mohd Zaman	-	2	-	7	-	9	-	5	-	14
Dato' Ab. Halim bin Mohyiddin	-	7	-	18	-	25	21	16	-	62
Syed Hussain bin Syed Hamzah	-	10	-	16	-	26	-	13	-	39
	-	186	-	176	5	367	91	52	-	510
Total Directors' remuneration	540	186	-	257	10	993	91	52	-	1,136

31 December 2011 (cont'd)

31. COMPENSATION TO KEY MANAGEMENT PERSONNEL

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank directly or indirectly, including any director of the Group and the Bank. The remuneration and compensation of Directors and other members of key management during the year was as follows:

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Short term employee benefits' total (excluding benefits-in-kind)	1,620	1,170	850	621

Included in the total key management personnel are:

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Executive Directors' remuneration (Note 30)	855	626	855	626

32. LOANS, ADVANCES AND FINANCING LOSS AND ALLOWANCES

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Allowance for impaired loans, advances and financing:				
Collective assessment allowance				
- made during the year	55,283	47,263	55,689	47,650
Individual impairment allowance				
- made during the year	342,243	359,760	328,408	352,566
- written back	(106,198)	(27,734)	(77,599)	(2,457)
Bad debts and financing				
- other receivables	(89)	228	(89)	228
- resigned staff	33	658	33	658
- written off	134	5,542	134	5,542
- recovered	(16,628)	(4,691)	(10,635)	(415)
	274,778	381,026	295,941	403,772

31 December 2011 (cont'd)

33. IMPAIRMENT LOSSES/(WRITEBACK) OF OTHER ASSETS, NET

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Financial investments available-for-sale ("AFS")	2,152	1,000	(7,069)	1,000
Financial investments held-to-maturity ("HTM")	42,662	85,139	42,662	84,958
Property, plant and equipment				
- vessels	40,406	-	-	-
Investments in subsidiaries	-	-	7,694	-
	85,220	86,139	43,287	85,958

34. TAX EXPENSE

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Income tax expense:				
Current income tax	97,108	121,266	87,065	115,023
(Over)/under provision in prior years	(115,005)	962	(115,023)	2,115
	(17,897)	122,228	(27,958)	117,138
Deferred tax expense:				
Origination and reversal of temporary differences	45,303	(9,809)	53,568	(11,457)
Under provision in prior year	136,001	12,238	130,447	12,459
	181,304	2,429	184,015	1,002
	163,407	124,657	156,057	118,140

The Bank was exempted from paying tax on its statutory income from infrastructure projects approved by the Government of Malaysia via Income Tax Act 1967: Income Tax Order (Exemption) (No. 46) 2002 from year assessment 2000 to year assessment 2010.

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the year.

34. TAX EXPENSE (cont'd)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Bank are as follows:

Reconciliation of effective tax expense

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit before tax	618,961	549,088	618,192	503,491
Tax using Malaysian tax rate of 25% (2010:25%)	154,741	137,272	154,548	125,873
Income not subject to tax	(19,277)	(35,385)	(17,924)	(27,971)
Effect of share of result jointly control entities	(8,160)	-	-	-
Non-deductible expenses	32,484	19,581	4,009	5,664
Over provision of deferred tax	136,001	12,238	130,447	12,459
Income assessed separately	(9,640)	-	-	-
Utilisation of previously unrecognised unabsorbed capital allowances and tax losses	(7,737)	(10,011)	-	-
	278,412	123,695	271,080	116,025
(Over)/under provision in prior years	(115,005)	962	(115,023)	2,115
Tax expense	163,407	124,657	156,057	118,140

35. DIVIDENDS

Dividends recognised in the current year by the Bank are:

	2011		2010	
	Sen per share	Total amount RM'000	Sen per share	Total amount RM'000
Final 2010 ordinary	3.25	100,000	-	-
Final 2009 ordinary	-	-	3.25	100,000
	3.25	100,000	3.25	100,000

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of the financial year ended 31 December 2011, of 3.25% on 3,078,724,049 ordinary shares, amounting to a dividend payable of RM100,000,000 (3.25 sen net per ordinary share) will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2012

36. EARNINGS PER SHARE

The basic earnings per share ("EPS") of the Group and the Bank are calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit from continuing operations attributable to shareholders' of the Bank	481,239	420,864	462,135	385,351
Number of ordinary shares in issue ('000)	3,078,724	3,078,724	3,078,724	3,078,724
Basic EPS (sen) for:				
Net profit for the year	15.63	13.67	15.01	12.52

37. COMMITMENTS AND CONTINGENCIES

(a) Loan and financing related commitments and contingencies of the Group and the Bank not included in these financial statements are as follows:

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Disbursement of loans to industries	3,218,629	4,728,253	2,680,026	4,728,253
Direct credit substitutes	6,602	21,823	6,602	21,823
Corporate guarantees issued by a subsidiary to financial institutions for credit facilities granted to jointly controlled entities	696,434	792,295	338,234	445,155
	3,921,665	5,542,371	3,024,862	5,195,231

The above contingent liability on corporate guarantees is based on the outstanding balances of the credit facilities granted to jointly controlled entities.

(b) Capital commitments of the Group and the Bank not included in these financial statements are as follows:

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Capital expenditure				
- approved but not contracted for	32,349	102,126	16,165	30,982

38. CAPITAL ADEQUACY

Capital management

Capital policy

The overall objective of capital management is to maintain a strong capital position in order to provide opportunities for business growth and able to provide cushion for any potential losses. In line with this objective, the Bank views capital position as an important key barometer of financial health.

Regulatory capital

In order to support its mandated roles, the Bank must have strong and adequate capital to support its business activities on an on-going basis, In line with this objective, Bank Negara Malaysia has imposed several regulatory capital requirements whereby, the Bank must have an absolute minimum capital of RM300,000,000 and a minimum Risk Weighted Capital Ratio ('RWCR') of 8% at all times. The minimum capital funds refer to paid-up capital and reserves as defined in Section 3 of Development Financial Institution Act 2002.

In order to further strengthen the capital position of the Bank through a progressive and systematic building up of the reserve fund, the minimum RWCR under both normal and stress scenarios shall not be less than 20% and 12% respectively.

The following table sets forth capital resources and capital adequacy for the Bank as at 31 December 2011.

	Bank	
	2011 RM'000	2010 RM'000
Tier 1 capital		
Paid-up share capital	3,078,724	3,078,724
Other reserves	3,972,561	3,789,822
Total Tier 1 capital	7,051,285	6,868,546
Tier 2 capital		
Governments grants and subsidies	646,301	672,502
Collective assessment allowance	699,731	650,975
Total Tier 2 capital	1,346,032	1,323,477
Total capital	8,397,317	8,192,023
Less: Investment in subsidiaries	(985,742)	(930,296)
Total capital base	7,411,575	7,261,727

Excludes collective assessment allowance on impaired loans restricted from Tier 2 capital of the Bank by BNM of RM21,164,593.

31 December 2011 (cont'd)

38. CAPITAL ADEQUACY

Capital management

Regulatory capital (cont'd)

Breakdown of risk-weighted assets in the various categories of risk-weights:

	Bank 2011 RM'000	Bank 2010 RM'000
10%	-	-
20%	638,280	817,460
50%	993,400	892,109
100%	19,408,868	20,228,154
	21,040,548	21,937,723

Without deducting proposed dividend:

	Bank 2011 RM'000	Bank 2010 RM'000
	%	%
Core capital ratio	33.51	31.31
Risk-weighted capital adequacy ratio	35.23	33.10
After deducting proposed dividend:		
Core capital ratio	33.04	30.85
Risk-weighted capital adequacy ratio	34.75	32.65

Capital monitoring

The Bank's capital is closely monitored and actively managed. Besides the regulatory capital requirement of 8%, the Bank sets an internal capital requirement limit that would act as a buffer to the regulatory capital and as an indicator that affords the Bank a "well capitalised" status. Internal capital limit and regulatory capital requirement shall be closely monitored, regularly reviewed and reported to Management and Board of Directors.

39. OTHER CONTINGENCIES

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	Group	
	2011 RM'000	2010 RM'000
Contingent liabilities not considered remote Litigation (unsecured)		
A subsidiary is being sued by its client for losses and damages arising from withdrawal of the bridging loan and financial guarantee. No defence is filed yet pending serving of the amended statement of claim. Hearing of application to strike out the client suit has been adjourned because the client has wound up.	15,196	15,196
A subsidiary is defending an action brought up by a client on a negligence issue which has resulted in collateral being forfeited by the Government. The suit has been dismissed by the Court and is currently being appealed by the plaintiff.	13,848	13,848
A subsidiary is defending an action brought by a guarantor of its client's loan for bill of costs due to loss of its legal action against the guarantor. The case has been settled with out-of-court settlement.	-	251
A subsidiary is being sued by a client for Specific Performance to transfer the collateral to the client. The client claimed that the subsidiary failed to release the collateral after receipt of settlement sum of RM 55,808.00. The matter has been fixed for full trial.	155	-
The client claimed against a subsidiary for a court's declaration that a Letter of Offer existed for full and final settlement and the transfer to be concluded after the settlement sum of RM120,000.00 was paid but declined by the subsidiary. The matter has been fixed for full trial.	120	-
A subsidiary is being summoned for Specific Performance by the client for the failure to accept the balance of settlement sum (RM20,000.00) as full and final settlement and to transfer the collateral after its receipt. The matter has been fixed for full trial.	68	-
A subsidiary is being sued by the insured client for losses and damages due to the client's vessel accident occurred on 18th June 2009. Statement of Defence has been filed due to the noninsurance coverage during the accident time. The matter has been fixed for a full trial.	397	-

40. RELATED PARTY TRANSACTIONS

The Bank's major transactions with its related companies consist mainly of extending credit facilities and giving of loans and advances. The Directors of the Bank are of the opinion that these transactions have been entered into in the normal course of business and have been established under negotiated basis. In addition to the transaction detailed elsewhere in the financial statements, the Group and the Bank has the following transactions with related parties during the financial year:

	Bank	
	2011 RM'000	2010 RM'000
Subsidiaries:		
Rental income from a subsidiary	1,037	512
Income from service level agreement	1,059	958

41. ASSETS HELD FOR SALE

	Group	
	2011 RM'000	2010 RM'000
As at 1 January	-	79,402
Reclassified from property, plant and equipment	24,581	-
Disposed of during the year	-	(79,402)
As at 31 December	24,581	-

Selendang Permata was classified as non-current asset held for sale. Memorandum of Agreement was signed and deposit was received for the sale of Selendang Permata, however the risks and rewards were not transferred to the purchaser as at 31 December 2011.

42. COMPANIES IN THE GROUP

(a) The subsidiaries, all incorporated in Malaysia, are as follows:

Name of the Company	Effective interest held by the Bank 2011	Effective interest held by the Bank 2010	Principal activities
	%	%	
Pembangunan Leasing Corporation Sdn Bhd	100.00	100.00	Lease, hire purchase financing, factoring, block discounting and investment holding
Maju Nominees (Tempatan) Sdn Bhd	100.00	100.00	Nominee for the holding company
BPF Properties Sdn Bhd*	100.00	100.00	Property investment
BPMB Urus Harta Sdn Bhd	100.00	100.00	Property investment
Pembangunan Ekuiti Sdn Bhd	54.80	54.80	Investment manager and provision of advisory, consultancy and related services pertaining to investments
Global Maritime Ventures Berhad	90.00	90.00	Venture capital investment
Emerald Upline Sdn Bhd	100.00	100.00	Ship-owning
SME Growth Acceleration Fund Sdn Bhd **	100.00	-	Venture capital investment

* In members' voluntary liquidation

** On 6 October 2011, the Bank acquired 100% equity interest in SME Growth Acceleration Fund Sdn Bhd ("SME GAF") for a cash consideration of RM63,140,000. Upon acquisition, SME GAF, a company incorporated in Malaysia, became a subsidiary of the Group. SME GAF is involved in the venture capital business.

(b) Details of subsidiary companies of Global Maritime Ventures Berhad, all of which are incorporated in Malaysia, are as follows:

Name of the Company	Effective interest held by the Bank 2011	Effective interest held by the Bank 2010	Principal activities
	%	%	
Mutiara Navigation Sdn Bhd	63.00	63.00	Ship-owning
Intan Navigation Sdn Bhd	63.00	63.00	Dormant
Nilam Navigation Sdn Bhd	63.00	63.00	Dormant
Kasa Navigation Sdn Bhd	63.00	63.00	Dormant
Mayang Navigation Sdn Bhd	63.00	63.00	Dormant
Sari Navigation Sdn Bhd	63.00	63.00	Ship-owning

42. COMPANIES IN THE GROUP (cont'd)

(b) Details of subsidiary companies of Global Maritime Ventures Berhad, all of which are incorporated in Malaysia, are as follows: (cont'd)

Name of the Company	Effective interest held by the Bank 2011	2010	Principal activities
	%	%	
Tiara Navigation Sdn Bhd	63.00	63.00	Dormant
Glory Incentive Sdn Bhd	90.00	90.00	Investment holding
GMV-ALAM Sdn Bhd	90.00	90.00	Investment holding
GMV-Gagasan Sdn Bhd	90.00	90.00	Investment holding
GMV-Bahtera Sdn Bhd	90.00	90.00	Dormant
GMV-Efogen Sdn Bhd (formerly known as GMV-Orion Sdn Bhd)	90.00	90.00	Investment holding
GMV-Regional Sdn Bhd	90.00	90.00	Investment holding
GMV-Orkim Sdn Bhd	90.00	90.00	Investment holding
GMV-Offshore Sdn Bhd	90.00	90.00	Investment holding
GMV-Global Sdn Bhd	90.00	90.00	Investment holding
GMV-Jasa Sdn Bhd	90.00	90.00	Investment holding
GMV-Omni Sdn Bhd	90.00	90.00	Investment holding
GMV-Borcos Sdn Bhd (formerly known as Exiwealth Resources Sdn Bhd)	90.00	90.00	Investment holding

(c) Details of subsidiary companies of Glory Incentive Sdn Bhd, all of which are incorporated in Malaysia, are as follows:

Name of the Company	Effective interest held by the Bank 2011	2010	Principal activities
	%	%	
Permata Navigation Sdn Bhd	63.00	63.00	Ship-owning
Gemala Navigation Sdn Bhd	63.00	63.00	Ship-owning
Ratna Navigation Sdn Bhd	63.00	63.00	Ship-owning
Kencana Navigation Sdn Bhd	63.00	63.00	Ship-owning
Ayu Navigation Sdn Bhd	63.00	63.00	Dormant

42. COMPANIES IN THE GROUP (cont'd)

(d) Details of subsidiaries of Pembangunan Leasing Corporation Sdn Bhd, which are incorporated in Malaysia, are as follows:

Name of the Company	Effective interest held by the Bank 2011	2010	Principal activities
	%	%	
PLC Credit & Factoring Sdn Bhd	100.00	100.00	Hire purchase financing, confirming and factoring, insurance agency and letting out properties.
BI Credit & Leasing Berhad	100.00	100.00	Credit and leasing

(e) Details of a subsidiary company of BI Credit & Leasing Berhad, which is incorporated in Malaysia, are as follows:

Name of the Company	Effective interest held by the Bank 2011	2010	Principal activities
	%	%	
KIB Nominee (Tempatan) Sdn Bhd	100.00	100.00	Nominee services

43. FINANCIAL INSTRUMENTS RISK

Financial risk management objectives and policies

The Group's financial risk management policies seek to enhance shareholder value. The Group focuses on the enterprise wide risk exposure, which include credit, market, liquidity and operation risk and seeks to minimise potential adverse effects on the financial performance of the Group.

As part of the Group's strategy to integrate the management and control of risks across the various risk segments, a dedicated function known as the Group Risk Management was established.

Financial risks management is carried out through risk assessment and reviews, internal control systems and adhered to Group financial risk management policies, which are reported to and approved by the Board of Directors. The Board also approves the treasury policies, which cover the management of these risks.

The main areas of financial risks faced by the Group are set out as follows:

(a) Credit risk

Credit risk is the potential loss arising from customers or counterparties failing to meet their financial contractual obligations. Management of credit risk is principally through lending directions and policies, which as and when they fall due are instituted based on prevailing business and economic conditions. Credit processes are also structured to ensure adherence of credit policies and to establish impartiality in loan origination, approval, documentation, disbursement and settlement.

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(a) Credit risk (cont'd)

The Group Risk Management is primarily involved in managing, enhancing asset quality, reviews concentration limits according to various categories such as customer and economic segment and monitoring credit portfolio risk. Industry risk is also evaluated and monitored, as dynamic changes in the economic environment has a direct impact on the Bank's assets quality.

The internal credit risk rating system is in place to measure the credit worthiness of each customer. The primary objectives are to provide a consistent approach in risk grading of the Group's borrowers and to measure the risk of default by borrowers objectively.

Internal single customer limit are regularly monitored to minimise the risk of overconcentration. The overall credit risk management is subject to an ongoing process for reviewing and enhancement.

Credit risk assessment and rating on loan applications are conducted before being approved by the approving authorities. Various credit committees have been established at the Bank and subsidiaries to approve loans. The respective credit committees have approving authority up to a specified limit.

Credit risk exposures are managed through a robust credit monitoring process. The process includes monitoring of risk profile of credit portfolio, where any changes in credit quality and significant movement in risk profile of credit portfolio are reported to the Risk Management Committee. Limits are also monitored to minimise undesirable concentration. In addition, credit review on existing loans are performed at least once a year and more frequent on watch-list accounts to proactively manage any delinquencies, maximise recoveries and to ensure timely recognition of asset impairment. Meanwhile, audit is periodically performed to ensure that credit policies and procedure are complied with.

Collateral is taken whenever possible to mitigate the credit risk assumed. The value of the collateral is monitored periodically through frequent valuation. The main types of collateral taken by the Bank are fixed assets financed by the Bank which include plant, machinery and equipment, land and building and vessels. Policies and processes are in place to monitor collateral value.

(i) Credit exposure

	Note	Group 2011 RM'000	Bank 2011 RM'000
On balance sheet:			
Cash and short term deposits	3	2,586,442	2,435,932
Deposits and placements with banks and other financial institutions	4	1,374,331	920,227
Financial investments available-for-sale ("AFS")	5	1,049,113	1,017,412
Financial investments held-to-maturity ("HTM")	6	149,257	149,235
Loans, advances and financing	7	22,845,145	22,679,650
Amount due from MOF	8	1,050,693	1,050,693
Others		324,464	-
		29,379,445	28,253,149

31 December 2011 (cont'd)

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(a) Credit risk (cont'd)

(i) Credit exposure (cont'd)

	Note	Group 2011 RM'000	Bank 2011 RM'000
On balance sheet: (cont'd)			
Other assets not subject to credit risk		927,325	1,370,989
		30,306,770	29,624,138
Off balance sheet:			
Commitments	37(a)	3,921,665	3,024,862
		34,228,435	32,649,000

	Note	Group 2011 RM'000	Bank 2011 RM'000
On balance sheet:			
Cash and short term deposits	3	3,834,577	3,086,574
Deposits and placements with banks and other financial institutions	4	239,096	239,050
Financial investments available-for-sale ("AFS")	5	1,867,531	1,861,339
Financial investments held-to-maturity ("HTM")	6	267,766	267,744
Loans, advances and financing	7	21,435,096	21,321,719
Amount due from MOF	8	1,029,607	1,029,607
Others		211,303	-
		28,884,976	27,806,033
Other assets not subject to credit risk		1,143,632	1,446,457
		30,028,608	29,252,490
Off balance sheet:			
Commitments	37(a)	5,542,371	5,195,231
		35,570,979	34,447,721

31 December 2011 (cont'd)

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(a) Credit risk (cont'd)

(ii) The folllowing table set out the credit risk concentration by economic sectors:

Group 2011	Short-term funds, and placements with financial institutions RM'000	Held-to maturity securities RM'000	Available-for-sale securities RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total RM'000	Commit-ments and contin-gencies RM'000
Agriculture, hunting & forestry	-	-	-	2,582	-	2,582	-
Construction	-	53,641	100,574	11,672,343	-	11,826,558	1,660,137
Education	-	-	-	411,771	-	411,771	48,061
Electrical, gas and water supply	-	-	283,131	2,239,910	-	2,523,041	105,539
Finance, Insurance & Business	3,960,773	95,040	197,501	30,921	1,050,693	5,334,928	-
Hotel and restaurants	-	-	-	748,776	-	748,776	359,123
Housing	-	-	-	15,089	-	15,089	-
Manufacturing	-	-	-	357,230	-	357,230	53,465
Marine Related	-	-	-	53,377	-	53,377	-
Material Technology	-	-	-	22,181	-	22,181	4,084
Balance carried forward	3,960,773	148,681	581,206	15,554,180	1,050,693	21,295,533	2,230,409

31 December 2011 (cont'd)

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(a) Credit risk (cont'd)

(ii) The folllowing table set out the credit risk concentration by economic sectors:

Group 2011 (cont'd)	Short-term funds, and placements with financial institutions RM'000	Held-to maturity securities RM'000	Available-for-sale securities RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total RM'000	Commit-ments and contin-gencies RM'000
Balance brought forward	3,960,773	148,681	581,206	15,554,180	1,050,693	21,295,533	2,230,409
Medical & Pharmaceuticals	-	-	-	23,140	-	23,140	-
Mining & Quarrying	-	-	-	1,497	-	1,497	-
Other community, social and personal service activities	-	-	7,000	22,536	-	29,536	352,263
Production Engineering	-	-	-	1,312	-	1,312	-
Production administration and defence	-	576	-	51,631	-	52,207	7,176
Real estate, renting and business activities		-	92,990	1,070,511	-	1,163,501	36,971
Shipping	-	-	357,076	1,499,311	324,464	2,180,851	1,275,307
Shipyard	-	-	-	153,902	-	153,902	-
Transport, storage and communitations	-	-	10,841	4,467,125	-	4,477,966	19,539
	3,960,773	149,257	1,049,113	22,845,145	1,375,157	29,379,445	3,921,665
Other assets not subject to credit risk	-	-	-	-	927,325	927,325	-
	3,960,773	149,257	1,049,113	22,845,145	2,302,482	30,306,770	3,921,665

31 December 2011 (cont'd)

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(a) Credit risk (cont'd)

(ii) The folllowing table set out the credit risk concentration by economic sectors: (cont'd)

Group 2010	Short-term funds, and placements with financial institutions RM'000	Held-to maturity securities RM'000	Available-for-sale securities RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total RM'000	Commit-ments and contin-gencies RM'000
Agriculture, hunting & forestry	-	-	15,021	4,349	-	19,370	4,765
Construction	-	490	267,858	9,567,896	-	9,836,244	2,870,240
Diversified holdings	-	-	101,635	-	-	101,635	-
Education	-	-	-	255,977	-	255,977	137,281
Electrical, gas and water supply	-	-	-	3,182,008	-	3,182,008	91,936
Finance, Insurance & Business	4,073,673	-	140,786	49,381	1,029,607	5,293,447	-
Hotel and restaurants	-	-	-	639,612	-	639,612	280,338
Housing	-	-	-	23,016	-	23,016	-
Infrastructure & Utilities	-	171,557	528,183	-	-	699,740	-
Manufacturing	-	-	-	526,178	-	526,178	644,340
Marine Related	-	-	-	17	-	17	-
Material Technology	-	-	-	18,398	-	18,398	-
Balance carried forward	4,073,673	172,047	1,053,483	14,266,832	1,029,607	20,595,642	4,028,900

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(a) Credit risk (cont'd)

(ii) The folllowing table set out the credit risk concentration by economic sectors: (cont'd)

Group 2010 (cont'd)	Short-term funds, and placements with financial institutions RM'000	Held-to maturity securities RM'000	Available-for-sale securities RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total RM'000	Commit-ments and contin-gencies RM'000
Balance brought forward	4,073,673	172,047	1,053,483	14,266,832	1,029,607	20,595,642	4,028,900
Medical & Pharmaceuticals	-	-	-	23,643	-	23,643	-
Mining & Quarrying	-	-	152,321	2,924	-	155,245	-
Other community, social and personal service activities	-	22	6,192	56,354	-	62,568	8,067
Production engineering	-	-	-	13,487	-	13,487	26,700
Production administration and defence	-	95,697	40,471	41,351	-	177,519	24,278
Real estate, renting and business activities	-	-	97,072	1,117,355	-	1,214,427	37,162
Shipping	-	-	517,992	531,222	211,303	1,260,517	786,642
Shipyard	-	-	-	124,991	-	124,991	70,408
Transport, storage and communitations	-	-	-	5,256,937	-	5,256,937	560,214
	4,073,673	267,766	1,867,531	21,435,096	1,240,910	28,884,976	5,542,371
Other assets not subject to credit risk	-	-	-	-	1,143,632	1,143,632	-
	4,073,673	267,766	1,867,531	21,435,096	2,384,542	30,028,608	5,542,371

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(a) Credit risk (cont'd)

(ii) The folllowing table set out the credit risk concentration by economic sectors: (cont'd)

Bank 2011	Short-term funds, and placements with financial institutions RM'000	Held-to maturity securities RM'000	Available-for-sale securities RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total RM'000	Commit-ments and contin-gencies RM'000
Construction	-	53,641	100,574	11,660,770	-	11,814,985	1,660,137
Education	-	-	-	411,771	-	411,771	48,061
Electrical, gas and water supply	-	-	283,131	2,239,792	-	2,522,923	105,539
Finance, Insurance & Business	3,356,159	95,018	182,496	195,920	1,050,693	4,880,286	-
Hotel and restaurants	-	-	-	691,082	-	691,082	359,123
Housing	-	-	-	15,089	-	15,089	-
Manufacturing	-	-	-	298,744	-	298,744	53,465
Marine Related	-	-	-	53,377	-	53,377	-
Material Technology	-	-	-	22,181	-	22,181	4,084
Balance carried forward	3,356,159	148,659	566,201	15,588,726	1,050,693	20,710,438	2,230,409

31 December 2011 (cont'd)

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(a) Credit risk (cont'd)

(ii) The folllowing table set out the credit risk concentration by economic sectors: (cont'd)

Bank 2011 (cont'd)	Short-term funds, and placements with financial institutions RM'000	Held-to maturity securities RM'000	Available-for-sale securities RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total RM'000	Commit-ments and contin-gencies RM'000
Balance carried forward	3,356,159	148,659	566,201	15,588,726	1,050,693	20,710,438	2,230,409
Medical & Pharmaceuticals	-	-	-	23,140	-	23,140	-
Other community, social and personal service activities	-	-	7,000	22,257	-	29,257	-
Production Engineering	-	-	-	1,312	-	1,312	-
Production administration and defence	-	576	-	51,631	-	52,207	7,176
Real estate, renting and business activities	-	-	92,990	1,070,276	-	1,163,266	36,971
Shipping	-	-	340,380	1,499,311	-	1,839,691	730,767
Shipyard	-	-	-	153,902	-	153,902	-
Transport, storage and communitations	-	-	10,841	4,269,095	-	4,279,936	19,539
	3,356,159	149,235	1,017,412	22,679,650	1,050,693	28,253,149	3,024,862
Other assets not subject to credit risk	-	-	-	-	1,370,989	1,370,989	-
	3,356,159	149,235	1,017,412	22,679,650	2,421,682	29,624,138	3,024,862

31 December 2011 (cont'd)

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(a) Credit risk (cont'd)

(ii) The folllowing table set out the credit risk concentration by economic sectors: (cont'd)

Bank 2010	Short-term funds, and placements with financial institutions RM'000	Held-to maturity securities RM'000	Available-for-sale securities RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total RM'000	Commit-ments and contin-gencies RM'000
Agriculture, hunting & forestry	-	-	15,021	3,573	-	18,594	4,765
Construction	-	-	267,858	9,562,225	-	9,830,083	2,870,240
Diversified holdings	-	490	101,635	-	-	102,125	-
Education	-	-	-	255,977	-	255,977	137,281
Electrical, gas and water supply	-	-	-	3,181,610	-	3,181,610	91,936
Finance, Insurance & Business	3,325,624	-	140,786	267,915	1,029,607	4,763,932	-
Hotel and restaurants	-	-	-	559,912	-	559,912	280,338
Housing	-	-	-	16,364	-	16,364	-
Infrastructure & Utilities	-	171,557	528,183	-	-	699,740	-
Manufacturing	-	-	-	454,696	-	454,696	644,340
Marine Related	-	-	-	17	-	17	-
Material Technology	-	-	-	18,398	-	18,398	-
Balance carried forward	3,325,624	172,047	1,053,483	14,320,687	1,029,607	19,901,448	4,028,900

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(a) Credit risk (cont'd)

(ii) The folllowing table set out the credit risk concentration by economic sectors: (cont'd)

Bank 2010 (cont'd)	Short-term funds, and placements with financial institutions RM'000	Held-to maturity securities RM'000	Available-for-sale securities RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total RM'000	Commit-ments and contin-gencies RM'000
Balance brought forward	3,325,624	172,047	1,053,483	14,320,687	1,029,607	19,901,448	4,028,900
Medical & Pharmaceuticals	-	-	-	23,643	-	23,643	-
Mining & Quarrying	-	-	152,321	-	-	152,321	-
Other community, social and personal service activities	-	-	-	63,493	-	63,493	8,067
Production Engineering	-	-	-	13,487	-	13,487	26,700
Production administration and defence	-	95,697	40,471	41,351	-	177,519	24,278
Real estate, renting and business activities	-	-	97,072	1,117,355	-	1,214,427	37,163
Shipping	-	-	517,992	531,222	-	1,049,214	439,502
Shipyard	-	-	-	124,991	-	124,991	70,408
Transport, storage and communitations	-	-	-	5,085,490	-	5,085,490	560,213
	3,325,624	267,744	1,861,339	21,321,719	1,029,607	27,806,033	5,195,231
Other assets not subject to credit risk	-	-	-	-	1,446,457	1,446,457	-
	3,325,624	267,744	1,861,339	21,321,719	2,476,064	29,252,490	5,195,231

31 December 2011 (cont'd)

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(a) Credit risk (cont'd)

(iii) Gross loans, advances and financing are rated based on internal rating by the Bank:

Group 2011	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
Highest safety	8,302,272	-	-	8,302,272
High safety	-	-	-	-
Adequate safety	349,311	-	-	349,311
Moderate safety	9,966,404	12,355	-	9,978,759
Low safety	3,108,370	86,465	-	3,194,835
High risk	315,702	7,422	-	323,124
Very high risk	104,900	-	-	104,900
Impaired	-	-	3,086,860	3,086,860
	22,146,959	106,242	3,086,860	25,340,061

Group 2010	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
Highest safety	7,470,038	-	-	7,470,038
Adequate safety	1,814,696	159	-	1,814,855
Moderate safety	4,520,281	203,472	-	4,723,753
Low safety	6,141,535	60,079	-	6,201,614
High risk	821,289	59,637	-	880,926
Very high risk	-	-	-	-
Impaired	-	-	2,866,659	2,866,659
	20,767,839	323,347	2,866,659	23,957,845

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(a) Credit risk (cont'd)

(iii) Gross loans, advances and financing are rated based on internal rating by the Bank: (cont'd)

Bank 2011	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
Highest safety	8,502,272	-	-	8,502,272
Adequate safety	349,311	-	-	349,311
Moderate safety	9,906,907	-	-	9,906,907
Low safety	2,981,743	4,122	-	2,985,865
High risk	307,881	1,941	-	309,822
Very high risk	104,900	-	-	104,900
Impaired	-	-	2,846,298	2,846,298
	22,153,014	6,063	2,846,298	25,005,375

Bank 2010	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
Highest safety	7,742,033	-	-	7,742,033
Adequate safety	1,814,696	-	-	1,814,696
Moderate safety	4,442,375	188,866	-	4,631,241
Low safety	5,972,542	15,434	-	5,987,976
High risk	816,374	50,640	-	867,014
Very high risk	-	-	-	-
Impaired	-	-	2,617,103	2,617,103
	20,788,020	254,940	2,617,103	23,660,063

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(a) Credit risk (cont'd)

(iv) Aging analysis of past due but not impaired and impaired loans, advances and financing

Analysis of loans, advances and financing that are past due but not impaired based on the Group and Bank's internal credit rating system are as follows:

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Impaired:				
0 months overdue	377,112	475,024	377,112	475,024
1 month overdue	42,520	95,211	42,520	95,211
2 months overdue	104,453	73,126	104,876	73,126
3 months overdue	140,948	117,969	140,948	117,969
> 3 months overdue	2,421,827	2,105,329	2,180,842	1,855,773
	3,086,860	2,866,659	2,846,298	2,617,103
Past due but not impaired:				
1 Month Overdue	48,242	106,591	4,505	83,234
2 Months Overdue	25,193	150,776	1,558	121,066
3 Months Overdue	32,807	65,980	-	50,640
	106,242	323,347	6,063	254,940

(v) Collateral and credit enhancement for loans, advances and financing

Collateral represents the asset pledged by a customer and/or a third party on behalf of the customer, in whole or in part, to secure a credit exposure and/or potential credit exposure with the Bank, and subject to seizure in the event of default. Collateral provides to the Bank with a secondary repayment source, i.e. a source of fund to help recover its investment should the customer is unable to repay the facility obtained from the Bank.

31 December 2011 (cont'd)

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(a) Credit risk (cont'd)

(v) Collateral and credit enhancement for loans, advances and financing (cont'd)

The Group and the Bank shall consider accepting the collateral based on its marketability, measurability, stability, transferability, speed in realising the collateral value, enforceability and free from encumbrances. The collateral types and amounts held by the Group and the Bank are as follows:

2011	Secured RM'000	Unsecured RM'000	Total RM'000	Estimated fair value of collateral RM'000
Group				
Past due but not impaired	1,869	117,056	106,242	5,197
Impaired	2,009,144	1,077,716	3,086,860	2,463,367
	2,011,013	1,194,772	3,205,785	2,468,564
Bank				
Past due but not impaired	1,869	4,194	6,063	5,197
Impaired	2,009,144	837,154	2,846,298	2,463,367
	2,011,013	841,348	2,852,361	2,468,564

Estimated fair value of collateral for secured past due but not impaired and impaired loans, advances and financing:

2010	Secured RM'000	Unsecured RM'000	Total RM'000	Estimated fair value of collateral RM'000
Group				
Past due but not impaired	254,940	71,291	326,231	307,004
Impaired	2,230,154	636,505	2,866,659	2,129,419
	2,485,094	707,796	3,192,890	2,436,423
Bank				
Past due but not impaired	254,940	-	254,940	307,004
Impaired	2,103,252	513,851	2,617,103	2,129,419
	2,358,192	513,851	2,872,043	2,436,423

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(a) Credit risk (cont'd)

(v) Collateral and credit enhancement for loans, advances and financing (cont'd)

Estimated fair value of collateral for secured past due but not impaired and impaired loans, advances and financing:

2011	Properties, equipment and vessels RM'000	Cash RM'000	Total RM'000
Group			
Past due but not impaired	5,197	-	5,197
Impaired	2,463,367	-	2,463,367
	2,468,564	-	2,468,564
Bank			
Past due but not impaired	5,197	-	5,197
Impaired	2,463,367	-	2,463,367
	2,468,564	-	2,468,564

	Properties, equipment and vessels RM'000	Cash RM'000	Total RM'000
Group			
Past due but not impaired	304,314	2,690	307,004
Impaired	2,119,786	9,633	2,129,419
	2,424,100	12,323	2,436,423
Bank			
Past due but not impaired	304,314	2,690	307,004
Impaired	2,119,786	9,633	2,129,419
	2,424,100	12,323	2,436,423

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(a) Credit risk (cont'd)

(vi) Restructured items

Restructured loans refers to the financial assets that would otherwise be past due or impaired where there is fundamental revision in the principal terms and conditions of the facility. Restructuring shall be considered when the customer's business is still viable and is expected to remain viable after the restructuring. The total restructured loans held by the Group and the Bank stood at RM999.4 million and RM999.4 million respectively.

(vii) Credit quality for treasury credit risk exposures

The table below shows treasury credit risk exposures by the current counterparties' rating:

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Available-for-sale securities				
Sovereign	91,439	40,471	91,439	40,471
AAA	92,990	189,273	92,990	189,273
AA	413,428	562,126	413,428	562,126
A	123,674	246,563	123,674	246,563
BBB	-	41,518	-	41,518
Non-rated	327,582	787,580	295,881	781,388
	1,049,113	1,867,531	1,017,412	1,861,339
Held-to-maturity securities				
Long term				
AAA	95,018	187,591	95,018	187,591
BBB	-	79,576	-	79,576
BB	576	577	576	577
B	53,641	-	53,641	-
Non-rated	22	22	-	-
	149,257	267,766	149,235	267,744

31 December 2011 (cont'd)

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(b) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign currency risk as a result of its borrowings made in currencies other than Ringgit Malaysia. The Group's policy in managing its exposure to foreign currency risks is by hedging through forward contract deals.

The net unhedged financial assets and financial liabilities of the Group and the Bank that are not denominated in its functional currency are as follows:

	Net financial assets/(liabilities) held in non-functional currencies Ringgit Malaysia 2011 RM'000	Total 2011 RM'000	Ringgit Malaysia 2010 RM'000	Total 2010 RM'000
Functional currency of the Group				
Euro (EUR)	(44,378)	(44,378)	(132,912)	(132,912)
Japanese Yen (JPY)	(797,119)	(797,119)	(975,359)	(975,359)
United states dollar (USD)	(95,439)	(95,439)	(51,254)	(51,254)
Functional currency of the Bank				
EUR	(44,378)	(44,378)	(132,912)	(132,912)
JPY	(797,119)	(797,119)	(975,359)	(975,359)

The table below shows the Group's and the Bank's foreign currency sensitivity based on reasonable possible movements in foreign exchange (FX) rates.

	Strengthening/ weakening in FX rate (+/-)	Effect on profit/loss		Effect on equity	
		Increase in FX rate 2011	Decrease in FX rate 2011	Increase in FX rate 2011	Decrease in FX rate 2011
	%	RM'000	RM'000	RM'000	RM'000
Group					
USD	10	(9,544)	9,544	(9,544)	9,544
EUR	10	(4,438)	4,438	(4,438)	4,438
JPY	10	(79,712)	79,712	(79,712)	79,712
Bank					
EUR	10	(4,438)	4,438	(4,438)	4,438
JPY	10	(79,712)	79,712	(79,712)	79,712

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(b) Market risk (cont'd)

(i) Foreign exchange risk (cont'd)

	Strengthening/ weakening in FX rate (+/-)	Effect on profit/loss		Effect on equity	
		Increase in FX rate	Decrease in FX rate	Increase in FX rate	Decrease in FX rate
		2010	2010	2010	2010
	%	RM'000	RM'000	RM'000	RM'000
Group					
USD	10	(2,775)	2,775	(2,775)	2,775
EUR	10	27,676	40,968	27,676	40,968
JPY	10	(16,992)	(4,356)	(16,992)	(4,356)
Bank					
EUR	10	27,676	40,968	27,676	40,968
JPY	10	(16,992)	(4,356)	(16,992)	(4,356)

(ii) Interest rate risk

Interest rate risk is the impact to earnings and economic value of the Group due to fluctuations in interest rates.

Interest rate exposure arises from the differences in the maturities and repricing dates of assets, liabilities and off-balance sheet items. These mismatches are actively monitored and managed as part of the overall interest rate risk management process which is conducted in accordance with the Group's policies as approved by the Board.

The Group may be exposed to a loss in earnings due to the interest rates structure of the balance sheet arising from interest rates and yield curves changes. The sensitivity to interest rates arises from the mismatches in the reprising rates, cash flows and other characteristic of the assets and their corresponding liability funding. The Group manages its interest rate risk exposure through the use of fixed/floating rate debts and financial instruments.

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(b) Market risk (cont'd)

(ii) Interest rate risk

The table below shows the Group's and the Bank's net interest income sensitivity based on possible parallel shift in interest rate.

	Group		Bank	
	Impact on profit 2011 RM'000	Impact on profit 2010 RM'000	Impact on equity 2011 RM'000	Impact on equity 2010 RM'000
Interest rate - parallel shift				
+ 50 basis points	6,105	160,420	107,304	160,420
- 50 basis points	(6,105)	(160,420)	(107,304)	(160,420)

	Group		Bank	
	Impact on profit 2011 RM'000	Impact on profit 2010 RM'000	Impact on equity 2011 RM'000	Impact on equity 2010 RM'000
Interest rate - parallel shift				
+ 50 basis points	6,105	160,420	107,304	160,420
- 50 basis points	(6,105)	(160,420)	(107,304)	(160,420)

31 December 2011 (cont'd)

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(b) Market risk (cont'd)

(ii) Interest rate risk (con'd)

The table below summarises the Group's and Bank's exposure to interest rate risk. The table indicates effective average interest rates at the balance sheet date and the periods in which the financial instruments reprice or mature, whichever is earlier.

Group 2011	<------ Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Non-trading book ------ Over 5 years RM'000	Non-interest sensitive RM'000 ------>	Total RM'000	Effective interest rate %
Assets								
Cash and short term deposits	2,503,043	-	-	-	-	83,399	2,586,442	3.06
Deposits and placements with financial institutions	1,792	1,372,511	-	-	28	-	1,374,331	3.43
Financial investments - available-for-sale ("AFS")	87,303	15,028	133,884	427,159	385,739	-	1,049,113	6.14
Financial investments - Held-to-maturity	22	-	10,576	79,914	58,745	-	149,257	4.68
Loans, advances and financing								
- non-impaired	960,225	72,979	1,019,603	7,868,676	12,331,718	-	22,253,201	7.33
- impaired *	-	-	-	-	-	591,944	591,944	-
Interest in associates	-	-	-	-	-	171,964	171,964	-
Deferred tax assets	-					12,601	12,601	-
Other assets	-	-	-	1,050,693		279,362	1,330,055	-
Interest in jointly controlled entities	-	-	-	-	-	257,226	257,226	-
Property, plant and equipment	-	-	-	-	-	485,983	485,983	-
Prepaid land lease	-	-	-	-	-	3,050	3,050	-
Investment properties	-	-	-	-	-	17,022	17,022	-
Intangible assets	-	-	-	-	-	4,231	4,231	
Assets classified as held for sale	-	-	-	-	-	24,581	24,581	-
Total Assets	3,552,385	1,460,518	1,164,063	9,426,442	12,776,230	1,931,363	30,311,001	

31 December 2011 (cont'd)

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(b) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Group 2011 (cont'd)	<---Non-trading book--- Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000 --->	Total RM'000	Effective interest rate %
Liabilities and Shareholders' Equity								
Deposits from customers	1,924,607	2,734,079	2,301,087	-	-	-	6,959,773	3.58
Bills and acceptances payable	99,835	-	-	-	-	-	99,835	-
Other liabilities					-	120,404	120,404	-
Redeemable notes	-	-	-	3,329,195	904,861	-	4,234,056	5.05
Term loans	182,723	74,630	119,008	6,743,615	3,690,376	-	10,810,352	4.19
Infrastructure support fund	-	-	-	-	-	413,296	413,296	-
Deferred income	-	-	-	-	-	233,005	233,005	-
Deferred tax liabilities	-	-	-	-	-	8,685	8,685	-
Total Liabilities	2,207,165	2,808,709	2,420,095	10,072,810	4,595,237	775,390	22,879,406	-
Shareholders' equity	-	-	-	-	-	7,233,898	7,233,898	-
Minority interests	-	-	-	-	-	197,697	197,697	-
Total Liabilities and Shareholders' Equity	2,207,165	2,808,709	2,420,095	10,072,810	4,595,237	8,206,985	30,311,001	-
On-balance sheet interest sensitivity gap	1,345,220	(1,348,191)	(1,256,032)	(646,368)	8,180,993	(6,275,622)	-	-
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	-
Total interest sensitivity gap	1,345,220	(1,348,191)	(1,256,032)	(646,368)	8,180,993	(6,275,622)	-	-

* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired loans.

31 December 2011 (cont'd)

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(b) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Group 2010	<----- Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	Non-trading book >1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000 ----->	Total RM'000	Effective interest rate %
Assets								
Cash and short term deposits	3,764,254	-	-	-	-	68,739	3,832,993	3.03
Deposits and placements with financial institutions	-	190,662	-	50,000	18	-	240,680	3.07
Financial investments - available-for-sale ("AFS")	29,638	25,604	183,064	805,001	807,391	16,833	1,867,531	6.06
Financial investments - Held-to-maturity	-	-	92,353	90,778	5,037	79,598	267,766	5.59
Loans, advances and financing								
- non-impaired	1,083,338	31,745	1,198,536	6,062,661	12,713,883	-	21,090,163	7.01
- impaired *	-	-	-	-	-	344,933	344,933	-
Deferred tax assets	-	-	-	-	-	139,224	139,224	-
Other assets	-	-	-	1,029,607	3,561	419,582	1,452,750	-
Interest in jointly controlled entities	-	-	-	-	-	211,303	211,303	-
Property, plant and equipment	-	-	-	-	-	559,996	559,996	-
Prepaid land lease	-	-	-	-	-	3,801	3,801	-
Investment properties	-	-	-	-	-	17,468	17,468	-
Intangible assets	-	-	-	-	-	2,313	2,313	-
Total Assets	4,877,230	248,011	1,473,953	8,038,047	13,529,890	1,863,790	30,030,921	-

31 December 2011 (cont'd)

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(b) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Group 2010 (cont'd)	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Total RM'000	Effective interest rate %
	<--------------------------		Non-trading book			------------------------>		
Liabilities and Shareholders' Equity								
Deposits from customers	2,805,133	3,746,111	935,113	-	-	-	7,486,357	3.17
Other liabilities	-	-	-	-	-	177,353	177,353	-
Redeemable notes	-	-	231,320	2,997,319	1,307,308	-	4,535,947	5.09
Term loans	77,342	102,361	207,543	2,691,903	6,822,509	-	9,901,658	4.57
Infrastructure support fund	-	-	-	-	-	380,294	380,294	-
Deferred income	-	-	-	-	-	292,208	292,208	-
Deferred tax liabilities	-	-	-	-	-	10,892	10,892	-
Total Liabilities	2,882,475	3,848,472	1,373,976	5,689,222	8,129,817	860,747	22,784,709	-
Shareholders' equity	-	-	-	-	-	7,038,581	7,038,581	-
Minority interests	-	-	-	-	-	207,631	207,631	-
Total Liabilities and Shareholders' Equity	2,882,475	3,848,472	1,373,976	5,689,222	8,129,817	8,106,959	30,030,921	-
On-balance sheet interest sensitivity gap	1,999,789	(3,601,915)	129,340	2,321,105	5,394,849	(6,243,168)	-	-
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	-
Total interest sensitivity gap	1,999,789	(3,601,915)	129,340	2,321,105	5,394,849	(6,243,168)	-	-

* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired loans.

31 December 2011 (cont'd)

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(b) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Bank 2011	<---Non-trading book--- Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000 --->	Total RM'000	Effective interest rate %
Assets								
Cash and short term deposits	2,431,637	-	-	-	-	4,296	2,435,933	3.16
Deposits and placements with financial institutions	-	920,226	-	-	-	-	920,226	3.50
Financial investments - available-for-sale ("AFS")	55,602	15,028	133,884	427,159	385,739	-	1,017,412	6.33
Financial investments - held-to-maturity	-	-	10,576	79,914	58,744	-	149,234	4.68
Loans, advances and financing								
- non-impaired	960,188	72,979	992,532	7,724,400	12,408,979	-	22,159,078	7.31
- impaired *	-	-	-	-	-	520,573	520,573	-
Deferred tax	-	-	-	-	-	12,601	12,601	-
Other assets	-	-	-	1,050,693	-	238,129	1,288,822	-
Investment in subsidiaries	-	-	-	-	-	985,742	985,742	-
Property, plant and equipment	-	-	-	-	-	123,554	123,554	-
Prepaid land lease	-	-	-	-	-	3,050	3,050	-
Investment properties	-	-	-	-	-	7,913	7,913	-
Intangible assets	-	-	-	-	-	3,538	3,538	-
Total Assets	3,447,427	1,008,233	1,136,992	9,282,166	12,853,462	1,899,396	29,627,676	-

31 December 2011 (cont'd)

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(b) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Bank 2011 (cont'd)	<----- Non-trading book					----->		
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Total RM'000	Effective interest rate %
Liabilities and Shareholders' Equity								
Deposits from customers	1,924,607	2,734,079	2,301,088	-	-	-	6,959,774	3.58
Bills and acceptances payable	99,835	-	-	-	-	-	99,835	-
Other liabilities	-	-	-	-	-	31,994	31,994	-
Redeemable notes	-	-	-	3,329,194	904,861	-	4,234,055	5.05
Term loans	182,723	74,630	119,008	6,537,695	3,690,376	-	10,604,432	4.25
Infrastructure support fund	-	-	-	-	-	413,296	413,296	-
Deferred income	-	-	-	-	-	233,005	233,005	-
Total Liabilities	2,207,165	2,808,709	2,420,096	9,866,889	4,595,237	678,295	22,576,391	-
Shareholders' equity	-	-	-	-	-	7,051,285	7,051,285	-
Total Liabilities and Shareholders' Equity	2,207,165	2,808,709	2,420,096	9,866,889	4,595,237	7,729,580	29,627,676	-
On-balance sheet interest sensitivity gap	1,240,262	(1,800,476)	(1,283,104)	(584,723)	8,258,225	(5,830,184)	-	-
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	-
Total interest sensitivity gap	1,240,262	(1,800,476)	(1,283,104)	(584,723)	8,258,225	(5,830,184)	-	-

* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired loans

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(b) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Bank 2010	Non-trading book: Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Total RM'000	Effective interest rate %
Assets								
Cash and short term deposits	3,058,925	-	-	-	-	26,065	3,084,990	3.07
Deposits and placements with financial institutions	-	190,634	-	50,000	-	-	240,634	3.07
Financial investments - available-for-sale ("AFS")	23,445	25,604	183,063	815,130	797,262	16,835	1,861,339	6.08
Financial investments - held-to-maturity	-	-	92,353	90,778	5,037	79,576	267,744	5.59
Loans, advances and financing								
- non-impaired	1,084,537	41,790	1,128,366	5,904,384	12,883,883	-	21,042,960	7.00
- impaired *	-	-	-	-	-	278,759	278,759	-
Deferred tax	-	-	-	-	-	139,224	139,224	-
Other assets	-	-	-	1,029,607	-	241,549	1,271,156	3.50
Investment in subsidiaries	-	-	-	-	-	930,296	930,296	-
Property, plant and equipment	-	-	-	-	-	122,216	122,216	-
Prepaid land lease	-	-	-	-	-	3,801	3,801	-
Investment properties	-	-	-	-	-	8,090	8,090	-
Intangible assets	-	-	-	-	-	1,281	1,281	-
Total Assets	4,166,907	258,028	1,403,782	7,889,899	13,686,182	1,846,411	29,252,490	-

31 December 2011 (cont'd)

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(b) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Bank 2010 (cont'd)	<------Non-trading book------> Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Total RM'000	Effective interest rate %
Liabilities and Shareholders' Equity								
Deposits from customers	2,805,133	3,746,110	935,114	-	-	-	7,486,357	3.17
Other liabilities	-	-	-	-	-	74,246	74,246	-
Redeemable notes	-	-	201,863	3,025,038	1,309,046	-	4,535,947	5.09
Term loans	77,342	102,361	207,543	2,597,043	6,630,603	-	9,614,892	4.67
Infrastructure support fund	-	-	-	-	-	380,294	380,294	-
Deferred income	-	-	-	-	-	292,208	292,208	-
Total Liabilities	2,882,475	3,848,471	1,344,520	5,622,081	7,939,649	746,748	22,383,944	-
Shareholders' equity	-	-	-	-	-	-	-	-
Total Liabilities and Shareholders' Equity	2,882,475	3,848,471	1,344,520	5,622,081	7,939,649	7,615,293	29,252,490	
On-balance sheet interest sensitivity gap	1,284,432	(3,590,443)	59,262	2,267,818	5,746,533	(5,768,882)	-	-
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	-
Total interest sensitivity gap	1,284,432	(3,590,443)	59,262	2,267,818	5,746,533	(5,768,882)	-	-

* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired loans.

43. FINANCIAL INSTRUMENTS RISK (cont'd.)

(c) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet its current and future payment obligations associated with financial obligations when they fall due. The liquidity and cash flow risks are managed by maintaining a diversity of funding sources and spreading debt repayments over a range of maturities.

The Group manages its liquidity requirement on a day-to-day basis to ensure that funds are readily available for its operational needs, withdrawals of deposits and repayments to fund providers. The Group may raise funds locally and globally either through government-to-government arrangements or direct negotiations. Other sources of funding through the capital market are being explored on an on-going basis to ensure a diversity of funding source.

31 December 2011 (cont'd)

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(c) Liquidity risk (cont'd)

The following table shows the maturity analysis of the Group's assets and liabilities based on remaining contractual maturities. The contractual maturity profile often does not reflect the actual behavioural patterns. In particular, the Bank has a significant amount of "core deposits" of non-bank customers which are contractually at call (included in the "Up to 3 months" time band) but historically a stable source of long-term funding for the Bank.

	<---------- Non-trading book					---------->	
Group 2011	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-12 months RM'000**	**>1-5 years RM'000**	**Over 5 years RM'000**	**Non-specific maturity RM'000**	**Total RM'000**
Assets							
Cash and short term deposits	2,503,044		-	-	-	83,399	2,586,443
Deposits and placements with financial institutions	1,792	1,372,510	-	-	28	-	1,374,330
Financial investments - available-for-sale ("AFS")	87,298	15,000	133,393	422,968	420,405	-	1,079,064
Financial investments - Held-to-maturity ("HTM")	22	-	10,576	78,643	58,744	-	147,985
Loans, advances and financing	960,225	72,979	1,019,603	7,868,677	12,331,717	591,944	22,845,145
Other assets	-	-	-	1,050,693	-	279,362	1,330,055
Total undiscounted financial assets	3,552,381	1,460,489	1,163,572	9,420,981	12,810,894	954,705	29,363,022
Liabilities							
Deposits from customers	1,924,607	2,734,079	2,301,087	-	-	-	6,959,773
Bills and acceptances payable	99,835	-	-	-	-	-	99,835
Other liabilities	-	-	-	-	-	114,910	114,910
Redeemable notes	-	-	-	3,329,195	904,861	-	4,234,056
Term loans	182,723	74,630	119,008	6,743,615	3,690,376	-	10,810,352
Total undiscounted financial liabilities	2,207,165	2,808,709	2,420,095	10,072,810	4,595,237	114,910	22,218,926
Net maturity mismatches	1,345,216	(1,348,220)	(1,256,523)	(651,829)	8,215,657	839,795	7,144,096

31 December 2011 (cont'd)

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(c) Liquidity risk (cont'd)

The following table shows the maturity analysis of the Group's assets and liabilities based on remaining contractual maturities. The contractual maturity profile often does not reflect the actual behavioural patterns. In particular, the Bank has a significant amount of "core deposits" of non-bank customers which are contractually at call (included in the "Up to 3 months" time band) but historically a stable source of long-term funding for the Bank.

Group 2010	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
	<---------- Non-trading book					---------->	
Assets							
Cash and short term deposits	3,764,254	-	-	-	-	68,739	3,832,993
Deposits and placements with financial institutions	-	190,662	-	50,000	18	-	240,680
Financial investments - available-for-sale ("AFS")	35,005	25,463	182,771	803,298	826,055	-	1,872,592
Financial investments - Held-to-maturity ("HTM")	-	-	91,996	89,206	84,613	-	265,815
Loans, advances and financing	607,267	63,954	1,333,146	6,793,863	12,636,866		21,435,096
Other assets	-	-	-	1,029,607	-	423,143	1,452,750
Total undiscounted financial assets	4,406,526	280,079	1,607,913	8,765,974	13,547,552	491,882	29,099,926
Liabilities							
Deposits from customers	2,796,343	3,759,302	930,712	-	-	-	7,486,357
Other liabilities	-	-	-	-	-	177,353	177,353
Redeemable notes	-	-	200,000	3,041,979	1,293,968	-	4,535,947
Term loans	77,342	102,361	207,543	2,691,903	6,822,509	-	9,901,658
Total undiscounted financial liabilities	2,873,685	3,861,663	1,338,255	5,733,882	8,116,477	177,353	22,101,315
Net maturity mismatches	1,532,841	(3,581,584)	269,658	3,032,092	5,431,075	314,529	6,998,611

31 December 2011 (cont'd)

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(c) Liquidity risk (cont'd)

	<------ Non-trading book					------>	
Bank 2011	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-12 months RM'000**	**>1-5 years RM'000**	**Over 5 years RM'000**	**Non-specific maturity RM'000**	**Total RM'000**
Assets							
Cash and short term deposits	2,431,637	-	-	-	-	4,296	2,435,933
Deposits and placements with financial institutions	-	920,226	-	-	-	-	920,226
Financial investments - available-for-sale ("AFS")	55,597	15,000	133,393	422,968	420,405	-	1,047,363
Financial investments - Held-to-maturity ("HTM")	-	-	10,576	78,643	58,744	-	147,963
Loans, advances and financing	960,188	72,979	992,532	7,724,400	12,408,978	520,573	22,679,650
Other assets	-	-	-	1,050,693	-	238,129	1,288,822
Total undiscounted financial assets	3,447,422	1,008,205	1,136,501	9,276,704	12,888,127	762,998	28,519,957
Liabilities							
Deposits from customers	1,924,607	2,734,079	2,301,087	-	-	-	6,959,773
Bills and acceptances payable	99,835	-	-	-	-	-	99,835
Other liabilities	-	-	-	-	-	27,405	27,405
Redeemable notes	-	-	-	3,329,195	904,861	-	4,234,056
Term loans	182,723	74,630	119,008	6,537,695	3,690,376	-	10,604,432
Total undiscounted financial liabilities	2,207,165	2,808,709	2,420,095	9,866,890	4,595,237	27,405	21,925,501
Net maturity mismatches	1,240,257	(1,800,504)	(1,283,594)	(590,186)	8,292,890	735,593	6,594,456

31 December 2011 (cont'd)

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(c) Liquidity risk (cont'd)

The Bank is subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Notes 37(a). These have been incorporated in the net off-balance sheet position for year ended 31 December 2011. The total outstanding contractual amounts of these items do not represent future cash requirements since the Bank expects many of these contingent liabilities and commitments (such as direct credit substitutes and undrawn credit facilities) to expire without being called or drawn upon, and many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

In the previous financial year, the Group and the Bank's disclosure on exposure to liquidity risk was based on discounted contractual terms whereas under the new FRS7 disclosure, the Group and the Bank's liquidity risk as at 31 December 2011 are based on contractual undiscounted repayment obligation.

Bank 2010	<--- Non-trading book Up to 1 month RM'000	 >1-3 months RM'000	 >3-12 months RM'000	 >1-5 years RM'000	 Over 5 years RM'000	---> Non-specific maturity RM'000	 Total RM'000
Assets							
Cash and short term deposits	3,060,508	-	-	-	-	24,482	3,084,990
Deposits and placements with financial institutions	-	190,634	-	50,000	-	-	240,634
Financial investments - available-for-sale ("AFS")	28,812	25,463	182,771	803,298	826,055	-	1,866,399
Financial investments - Held-to-maturity ("HTM")	-	-	91,996	89,185	84,613	-	265,794
Loans, advances and financing	605,845	73,998	1,262,976	6,572,034	12,806,866	-	21,321,719
Other assets	-	-	-	1,029,607	-	241,549	1,271,156
Total undiscounted financial assets	3,695,165	290,095	1,537,743	8,544,124	13,717,534	266,031	28,050,692

43. FINANCIAL INSTRUMENTS RISK (cont'd)

(c) Liquidity risk (cont'd)

Bank 2010 (cont'd)	Non-trading book: Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Liabilities							
Deposits from customers	2,796,343	3,759,302	930,712	-	-	-	7,486,357
Other liabilities	-	-	-	-	-	40,830	40,830
Redeemable notes	-	-	200,000	3,041,979	1,293,968	-	4,535,947
Term loans	77,342	102,361	207,543	2,597,043	6,630,603	-	9,614,892
Total undiscounted financial liabilities	2,873,685	3,861,663	1,338,255	5,639,022	7,924,571	40,830	21,678,026
Net maturity mismatches	821,480	(3,571,568)	199,488	2,905,102	5,792,963	225,201	6,372,666

The Bank is subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Notes 37(a). These have been incorporated in the net off-balance sheet position for year ended 31 December 2011. The total outstanding contractual amounts of these items do not represent future cash requirements since the Bank expects many of these contingent liabilities and commitments (such as direct credit substitutes and undrawn credit facilities) to expire without being called or drawn upon, and many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

In the previous financial year, the Group and the Bank 's disclosure on exposure to liquidity risk was based on discounted contractual terms whereas under the new FRS7 disclosure, the Group and the Bank's liquidity risk as at 31 December 2011 are based on contractual undiscounted repayment obligation.

44. (i) Fair values

Financial instruments comprise financial assets, financial liabilities and also off-balance sheet derivatives. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale. The information presented herein represents best estimates of fair values of financial instruments at the balance sheet date.

Loans, advances and financing to customers, where such market prices are not available, various methodologies have been used to estimate the approximate fair values of such instruments. These methodologies are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Group's and the Bank's financial instruments, including loans, advances and financing to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Group and the Bank could realise in a sale transaction at the balance sheet date. The fair value information presented herein should also in no way be construed as representative of the underlying value of the Group and the Bank as a going concern.

The on-balance sheet financial assets and financial liabilities of the Group and the Bank whose fair values are required to be disclosed in accordance with FRS132 comprise all its assets and liabilities with the exception of investments in subsidiaries, investments in associated companies, property, plant and equipment and provision for current and deferred taxation.

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the balance sheet date approximate their carrying amounts as shown in the balance sheets, except for the following financial assets and liabilities:

	2011		2010	
Group	Carrying value RM'000	Carrying fair value RM'000	Carrying value RM'000	Carrying fair value RM'000
Financial Assets				
Loans, advances and financing	22,845,145	22,636,851	21,435,096	21,706,337
Financial liabilities				
Redeemable notes	4,234,056	4,188,784	4,491,287	4,585,050
Term loans	10,810,352	10,200,190	9,901,658	9,164,347

	2011		2010	
Bank	Carrying value RM'000	Carrying fair value RM'000	Carrying value RM'000	Carrying fair value RM'000
Financial assets				
Loans, advances and financing	22,679,650	22,471,355	21,321,719	21,598,951
Financial liabilities				
Redeemable notes	4,234,056	4,188,784	4,491,287	4,585,050
Term loans	10,604,432	9,994,270	9,614,892	8,877,581

44. (i) Fair values (cont'd)

The methods and assumptions used in estimating the fair values of other financial instruments are as follows:

(a) Cash and Short-term Funds

The carrying amount approximates fair value due to the relatively short maturity of the financial instruments.

(b) Deposits and Placements with Financial Institutions

The fair values of those financial instruments with remaining maturities of less than one year approximate their carrying values due to their relatively short maturities. For those financial instruments with maturities of more than one year, the fair values are estimated based on discounted cash flows using applicable prevailing market rates of similar remaining maturities at the reporting date.

(c) Securities

Fair values of securities that are actively traded are determined by quoted bid prices. For non-actively traded securities, independent broker quotations are obtained. Fair values of equity securities are estimated using a number of methods, including net tangible assets.

(d) Loans, Advances and Financing

The fair values of variable and fixed rate loans with remaining maturity of less than one year are estimated to approximate their carrying values. For fixed rate loans and Islamic financing with maturities of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at prevailing rates at reporting date offered for similar loans to new borrowers with similar credit profiles, where applicable. In respect of Government infrastructure loans, the fair values are estimated after taking into account the Government compensation received on these loans. For non-performing loans, the fair values are deemed to approximate the carrying values, net of allowances for bad and doubtful debts and financing.

(e) Deposits from Customers, Deposits and Placements of Banks and Other Financial

The fair values of deposits payable on demand and deposits and placements with maturities of less than one year approximate their carrying values due to the relatively short maturity of these instruments. The fair values of fixed deposits and placements with remaining maturities of more than one year are estimated based on discounted cash flows using applicable rates currently offered for deposits and placements with similar remaining maturities. The fair value of Islamic deposits are estimated to approximate their carrying values as the profit rates are determined at the end of their holding periods based on the actual profits generated from the assets invested.

(f) Redeemable Notes

The fair values are estimated based on expected future cash flows of coupon and face value payments and discounted at their quoted bid prices at reporting date or prevailing rates at reporting date obtained for similar notes with similar maturities, where applicable.

(g) Term Loans

The fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at prevailing rates at reporting date obtained for similar loans with similar maturities, where applicable.

44. (ii) Fair value of financial assets and financial liabilities

(a) Determination of fair value and fair value hierarchy

Presented below is the Group's and the Bank's classified financial instruments carried at fair value by level of the following fair value measurement hierarchy:

Level 1 - Unadjusted quoted prices in active market for identical financial instrument
Level 2 - Inputs other than quoted prices that are observable either directly or indirectly
Level 3 - Inputs that are not based on observable market data

	2011 Group			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Available-for-sale securities	296,210	752,903	-	1,049,113
Total financial assets	296,210	752,903	-	1,049,113
Total financial assets carried at fair value				1,049,113
Liabilities				
Derivative financial liabilities	-	-	-	-
Total financial liabilities	-	-	-	-
Total financial liabilities carried at fair value				-

44. (ii) Fair value of financial assets and financial liabilities (cont'd)

(a) Determination of fair value and fair value hierarchy (cont'd)

	2011 Bank			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Available-for-sale securities	288,029	729,383	-	1,017,412
Total financial assets	288,029	729,383	-	1,017,412
Total financial assets carried at fair value				1,017,412
Liabilities				
Derivative financial liabilities	-	-	-	-
Total financial liabilities	-	-	-	-
Total financial liabilities carried at fair value				-

	2010 Group			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Available-for-sale securities	528,489	1,339,042	-	1,867,531
Total financial assets	528,489	1,339,042	-	1,867,531
Total financial assets carried at fair value				1,867,531
Liabilities				
Derivative financial liabilities	-	-	-	-
Total financial liabilities	-	-	-	-
Total financial liabilities carried at fair value				-

44. (ii) Fair value of financial assets and financial liabilities (cont'd)

(a) Determination of fair value and fair value hierarchy (cont'd)

	2010 Bank			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Available-for-sale securities	522,318	1,339,021	-	1,861,339
Total financial assets	522,318	1,339,021	-	1,861,339
Total financial assets carried at fair value				1,861,339
Liabilities				
Derivative financial liabilities	-	-	-	-
Total financial liabilities	-	-	-	-
Total financial liabilities carried at fair value				-

Where available, quoted and observable market prices are used as the measure of fair values, such as for government treasury bills and securities and quoted securities. Where quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions, the principal ones being as follows:

(i) Fair values of securities that are actively traded is determined by quoted bid prices. For non-actively traded securities, independent broker quotations are obtained. Fair values of unquoted equity securities are estimated using a number of methods, including net tangible assets, earnings multiples and discounted cash flow analysis. Where discounted cash flow technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at the reporting date.

(ii) For financial derivatives, where quoted and observable market prices are not available, fair values are arrived at using internal pricing models. As assumptions were made regarding risk characteristics of the various financial instruments, discount rates, future expected loss and other factors, changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

(b) Fair value of financial instruments that are not carried at fair value and whose cost could not be reliably measured

Included in the available-for-sale assets as at 31 December 2011 were investment equity securities of RM13,179,000 (2010: RM13,179,000) of the Group and the Bank that were carried at cost as their fair values could not be reliably measured. These securities were acquired for long term investment purpose.

44. (ii) Fair value of financial assets and financial liabilities (cont'd)

(b) Fair value of financial instruments that are not carried at fair value and whose cost could not be reliably measured (cont'd)

The fair values of contingent liabilities and undrawn credit facilities are not readily ascertainable. These financial instruments are presently not sold or traded. The estimated fair value may be represented by the present value of the fees expected to be received, less associated costs. The Group and Bank assess that their respective fair values are unlikely to be significant given that the overall level of fees involved is not significant.

(c) Fair value of financial instruments carried at cost or amortised cost

For cash and short term funds, securities purchased under resale agreements, deposits and placements with/of banks and other financial institutions, deposits from customers with short-term or no stated maturity, as well as interest and other short-term receivables and payables, fair values are expected to approximate the carrying amounts.

For loans, advances and financing and deposits from customers with longer-term maturity, fair values are estimated using discounted cash flow method.

For subordinated bonds issued, fair values are determined based on quoted market prices.

The estimated fair values of these financial instruments carried at cost or amortised cost approximate their carrying amounts as shown in the statements of financial position as at the reporting date.

45. ISLAMIC BANKING BUSINESS

The state of affairs as at 31 December 2011 and results for the financial year ended on this date under the Islamic Banking business of the Group included in the Group financial statements are summarised as follows:

Statements of financial position

As at 31 December 2011

		Group		Bank	
		2011	2010	2011	2010
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short-term funds	(a)	570,279	467,613	554,271	456,597
Deposits and placements with financial institutions	(b)	150,376	189,051	150,376	189,051
Financial investments - available-for-sale ("AFS")	(c)	52,594	138,913	52,594	138,913
Advances and financing	(d)	3,404,840	2,458,745	3,404,838	2,458,744
Other assets	(e)	1,312	1,253	1,312	1,253
Deferred tax assets		8	1,298	8	1,298
Total assets		4,179,409	3,256,873	4,163,399	3,245,856

45. ISLAMIC BANKING BUSINESS (cont'd)

Statements of financial position

As at 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Bank 2011 RM'000	Bank 2010 RM'000
Liabilities					
Other liabilities	(f)	66,349	170,515	57,155	161,630
Deposit from customers		1,648,790	829,702	1,648,790	829,702
Long term advances		502,515	502,515	502,515	502,515
Redeemable notes		958,028	908,110	958,028	908,110
Deferred income		233,005	139,977	233,005	139,977
Islamic general fund		770,722	706,054	763,906	703,922
Total liabilities and Islamic banking funds		4,179,409	3,256,873	4,163,399	3,245,856
Commitments and contingencies	(n)	2,772,019	4,395,405	2,772,019	4,395,405

	Note	Group 2011 RM'000	Group 2010 RM'000	Bank 2011 RM'000	Bank 2010 RM'000
Income statements for the financial year ended 31 December 2011					
Income derived from investment of depositors' funds	(g)	75,035	28,276	75,035	28,276
Income derived from investment of shareholder's funds	(h)	169,332	162,443	168,608	161,332
Allowance for losses on financing and advances	(i)	(90,317)	(63,507)	(94,457)	(68,089)
Profit equalisation reserve		(2,188)	1,071	(2,188)	1,071
Total distributable income		151,862	128,283	146,998	122,590
Income attributable to the depositors	(j)	(37,800)	(11,602)	(37,800)	(11,602)
Total net income		114,062	116,681	109,198	110,988
Overhead expenses	(k)	(7,857)	(8,988)	(7,677)	(8,907)
Finance cost	(l)	(42,698)	(35,894)	(42,698)	(35,894)
Profit before taxation and Zakat		63,507	71,799	58,823	66,187
Taxation and Zakat	(m)	(2,710)	(1,959)	(2,710)	(1,959)
Profit after taxation and Zakat		60,797	69,840	56,113	64,228
Profit for the year		60,797	69,840	56,113	64,228

45. ISLAMIC BANKING BUSINESS (cont'd)

Statements of comprehensive income For the financial year ended 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Bank 2011 RM'000	Bank 2010 RM'000
Profit for the year		60,797	69,840	56,113	64,228
Other comprehensive income					
Net gain on revaluation of financial investments available-for-sale ("AFS")		3,871	(3,895)	3,871	(3,895)
Other comprehensive income for the year, net of tax		3,871	(3,895)	3,871	(3,895)
Total comprehensive income for the year, net of tax		64,668	65,945	59,984	60,333
Total comprehensive income attributable to:					
Shareholders of the Bank		64,668	65,945	59,984	60,333
Minority interests		-	-	-	-
		64,668	65,945	59,984	60,333

	Note	Group 2011 RM'000	Group 2010 RM'000	Bank 2011 RM'000	Bank 2010 RM'000
Income derived from investment of depositors' fund		75,035	28,276	75,035	28,276
Income derived from investment of shareholder's fund		169,332	162,443	168,608	161,332
Income attributable to depositors		(37,800)	(11,602)	(37,800)	(11,602)
Finance cost		(42,698)	(35,894)	(42,698)	(35,894)
Profit equalisation reserve		(2,188)	1,071	(2,188)	1,071
Net income from Islamic Banking business reported in the income statement of the Bank		161,681	144,294	160,957	143,183

45. ISLAMIC BANKING BUSINESS (cont'd)

	Capital funds RM'000	Unrealised holding reserve RM'000	Retained profits RM'000	Total RM'000
Group				
As at 1 January 2011	587,626	(3,895)	122,323	706,054
Net profit for the year	-	-	60,797	60,797
Other comprehensive income:				
Unrealised net loss on revaluation of financial investments available-for-sale ("AFS")	-	3,871	-	3,871
As at 31 December 2011	587,626	(24)	183,120	770,722
Bank				
As at 1 January 2011	597,400	(3,895)	110,417	703,922
Net profit for the year	-	-	56,113	56,113
Other comprehensive income:				
Unrealised net loss on revaluation of financial investments available-for-sale ("AFS")	-	3,871	-	3,871
As at 31 December 2011	597,400	(24)	166,530	763,906

Cash flow statements for the financial year ended 31 December 2011

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash flows from operating activities				
Profit before tax and zakat	63,507	71,799	58,823	66,187
Adjustments for:				
Gain on sale of financial investments available-for-sale ("AFS")	-	(5,313)	-	(5,313)
Individual impairment allowance	102,578	65,728	102,523	62,018
Collective impairment allowance	(2,522)	6,071	(2,522)	6,071
Individual impairment allowance written back	(121,548)	-	(118,990)	-
Bad debts and financing recovered	(1,637)	-	-	-
Bad debts written off	113,446	-	113,446	-
Provision for zakat	(2,710)	(1,959)	(2,710)	(1,959)
Profit equalisation reserve	2,188	(1,071)	2,188	(1,071)
Compensation from the Government	11,430	7,598	11,430	7,598
Operating profit before working capital changes	164,732	142,853	164,188	133,531

45. ISLAMIC BANKING BUSINESS (cont'd)

Cash flow statements for the financial year ended 31 December 2011 (cont'd)

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash flows from operating activities				
Changes in working capital:				
Other assets	76,120	(10,622)	76,120	(10,622)
Other liabilities	(103,155)	(14,698)	(103,463)	(8,935)
Deposits & placements with financial institutions	38,675	(185,074)	38,675	(185,074)
Deposit from customers	819,088	619,800	819,088	619,800
Advances and financing	(939,512)	(459,552)	(943,652)	(459,552)
Cash generated from operations	55,948	92,707	50,956	89,148
Zakat paid	(3,200)	(113)	(3,200)	(113)
Net cash generated/(used in) operating activities	52,748	92,594	47,756	89,035
Cash flows from investing activities				
Purchase of financial investments	-	(209,389)	-	(209,389)
Net cash used in investing activities	-	(209,389)	-	(209,389)
Cash flows from financing activities				
Proceeds from disposal/maturity financial investment	-	71,234	-	71,234
Proceeds of redeemable notes	49,918	500,000	49,918	500,000
Net cash generated from financing activity	49,918	571,234	49,918	571,234
Cash and cash equivalents (Note A)				
Net increase in cash and cash equivalents	102,666	454,439	97,674	450,880
Cash and cash equivalents at beginning of year	467,613	13,174	456,597	5,717
Cash and cash equivalents at end of year	570,279	467,613	554,271	456,597

45. ISLAMIC BANKING BUSINESS (cont'd)

Cash flow statements for the financial year ended 31 December 2011 (cont'd)

(A) Cash and Cash Equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash and short term funds	570,279	467,613	554,271	456,597

(a) Cash and short-term funds

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash and bank balances with financial institutions	16,833	12,253	825	1,237
Money at call and deposit placements maturing within one months	553,446	455,360	553,446	455,360
	570,279	467,613	554,271	456,597

(b) Deposits and placements with financial institutions

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Licensed banks	150,376	189,051	150,376	189,051

(c) Financial investments - available-for sale ("AFS")

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At fair value				
Unquoted securities:				
(In Malaysia)				
Private debt securities	52,594	138,913	52,594	138,913
	52,594	138,913	52,594	138,913

45. ISLAMIC BANKING BUSINESS (cont'd)

(d) Advances and financing

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Bai Bithaman Ajil	542,708	285,626	513,066	253,475
Bai' Inah - BIN	149,108	172,799	149,108	172,799
Al-Ijarah	20,839	23,910	20,700	23,771
Bai'Istisna	5,795,144	4,333,656	5,795,144	4,333,656
Ijarah Muntahia				
Bitamalik - IJM	381,297	394,375	381,297	394,375
Bai' Murabahah - BAM	7,811	123,654	7,811	123,654
Murabahah Dayn	-	6,005	-	6,005
Bai' Dayn	-	1,894	-	1,894
Staff Loan	26,397	27,438	26,397	27,438
AITAB	561	567	-	-
Unearned income	(3,038,566)	(2,409,228)	(3,037,306)	(2,407,955)
Gross advances and financing	3,885,299	2,960,696	3,856,217	2,929,112
Allowance for impaired financing:				
- individual assessment allowance	(445,476)	(464,446)	(416,396)	(432,863)
- collective assessment allowance	(34,983)	(37,505)	(34,983)	(37,505)
	(480,459)	(501,951)	(451,379)	(470,368)
Net advances and financing	3,404,840	2,458,745	3,404,838	2,458,744

(i) The maturity structure of the gross advances and financing are as follows:

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Receivable after 12 months	3,214,311	2,307,982	3,193,428	2,285,302
Receivable within 12 months	670,988	652,714	662,789	643,810
	3,885,299	2,960,696	3,856,217	2,929,112

45. ISLAMIC BANKING BUSINESS (cont'd)

(d) Advances and financing (cont'd)

(ii) Movements in impaired advances and financing are as follows:

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Impaired financing				
At 1 January	741,692	593,638	616,281	432,540
Impaired during the year	212,610	189,611	211,118	189,611
Recovered during the year	(105,700)	(18,115)	(80,669)	(5,870)
Amount written off	(113,548)	(23,442)	(113,504)	-
Balance at end of year	735,054	741,692	633,226	616,281
Ratio of gross impaired financing	18.92%	25.05%	16.42%	21.04%

(iii) Movements in allowance for impaired financing advances and financing are as follows:

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Individual Assessment Allowance				
At 1 January	464,446	401,170	432,863	370,845
Allowance made during the year	102,578	65,728	102,523	62,018
Amount written back	(121,548)	(2,452)	(118,990)	-
Balance at end of year	445,476	464,446	416,396	432,863

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Collective Assessment Allowance				
At 1 January	37,505	31,434	37,505	31,434
Allowance made during the year	(2,522)	6,071	(2,522)	6,071
Balance at end of year	34,983	37,505	34,983	37,505

31 December 2011 (cont'd)

45. ISLAMIC BANKING BUSINESS (cont'd)

(e) Other assets

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Other receivables	1,312	1,253	1,312	1,253

(f) Other liabilities

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Other payables	4,104	169	1,162	-
Allowance for zakat	2,064	2,132	2,064	2,132
Profit equalisation reserve	2,188	-	2,188	-
Inter divisions	57,993	168,214	51,741	159,498
	66,349	170,515	57,155	161,630

(g) Income derived from investment of depositors' funds

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Finance Income				
Financing and advances	73,252	27,463	73,252	27,463
Other income:				
- Fee income	1,783	813	1,783	813
	75,035	28,276	75,035	28,276

45. ISLAMIC BANKING BUSINESS (cont'd)

(h) Income derived from investment of shareholders funds

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Finance Income				
Financing and advances	128,941	128,043	128,237	126,936
Compensation from the Government	11,430	7,598	11,430	7,598
Deposit placement with financial institution	12,959	11,338	12,959	11,338
Financial investments:				
- available-for-sale ("AFS")	5,785	4,745	5,785	4,745
	159,115	151,724	158,411	150,617
Other income:				
Gain/(loss) on sale of:				
- financial investments				
- available-for-sale ("AFS")	5,955	5,313	5,955	5,313
Fee income	4,262	5,406	4,242	5,402
	169,332	162,443	168,608	161,332
Of which:				
Interest income earned on impaired loans, advances and financing	16,633	6,008	16,633	6,008

(i) Advances and financing loss and allowance

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Bad debts and financing written off	113,446	-	113,446	-
Bad debts recovered	(1,637)	(5,840)	-	-
Individual impairment allowance				
- made during the year	102,578	65,728	102,523	62,018
- written back	(121,548)	(2,452)	(118,990)	-
Collective assessment allowance				
- made during the year	(2,522)	6,071	(2,522)	6,071
	90,317	63,507	94,457	68,089

31 December 2011 (cont'd)

45. ISLAMIC BANKING BUSINESS (cont'd)

(j) Income attributable to depositors

	Group 2011 RM'000	Group 2010 RM'000	Bank 2011 RM'000	Bank 2010 RM'000
Deposit from customers				
- Mudharabah Fund	37,800	11,602	37,800	11,602

(k) Overhead expenses

	Note	Group 2011 RM'000	Group 2010 RM'000	Bank 2011 RM'000	Bank 2010 RM'000
Personnel costs	(i)	4,603	5,340	4,603	5,340
General administrative expenses	(ii)	3,254	3,648	3,074	3,567
		7,857	8,988	7,677	8,907

	Note	Group 2011 RM'000	Group 2010 RM'000	Bank 2011 RM'000	Bank 2010 RM'000
(i) Personnel costs					
Salaries, allowances and bonuses		3,500	4,280	3,500	4,280
Social security cost		26	26	26	26
Pension costs - Defined contribution plan		545	541	545	541
Other staff related expenses		532	493	532	493
		4,603	5,340	4,603	5,340
(ii) General administrative expenses					
General administrative expenses		3,254	3,648	3,074	3,567
		3,254	3,648	3,074	3,567

The above has been determined after charging amongst other items the following:

Shariah Committee's remuneration	68	61	68	61

45. ISLAMIC BANKING BUSINESS (cont'd)

(l) Finance cost

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Bonds and notes	41,000	35,894	41,000	35,894
Commercial papers programme	1,698	-	1,698	-
	42,698	35,894	42,698	35,894

(m) Taxation and zakat

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Zakat	2,710	1,959	2,710	1,959

(n) Commitments and contingencies

	Group		Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Disbursement of advances and financing to industries	2,772,019	4,395,405	2,772,019	4,395,405
	2,772,019	4,395,405	2,772,019	4,395,405